UNIFORM CLASSIFICATION OF ACCOUNTS

FOR

# WATER UTILITIES

PRESCRIBED BY THE

## Illinois Commerce Commission

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GENERAL ORDER 104

SPRINGFIELD, ILLINOIS

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STATE OF ILLINOIS

# ILLINOIS COMMERCE COMMISSION

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STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF ESTABLISHING
A UNIFORM CLASSIFICATION OF ACCOUNTS FOR WATER UTILITIES. General Order 104.

**By the Commission:**

The Commission having had under consideration the matter of revising the classification of accounts for water utilities now in effect in the State of Illinois, and having also under consideration the adoption of the Uniform Classification of Accounts recommended by the National Association of Railway and Utilities Commissioners, and the Commission being fully advised in the premises, is of the opinion and finds: that the Uniform Classification of Accounts for Water Utilities, a copy of which is now before the Commission, embraces a system of accounts suitable for the use of all water utilities in the State of Illinois and that the adoption and use thereof, in lieu of the system of accounts now in effect, will be of advantage to all concerned and should reasonably be required of all water utilities doing business in Illinois.

IT IS THEREFORE ORDERED that the aforesaid Uniform Classification of Accounts and the text pertaining thereto, and all of the contents thereof, be and the same is hereby, adopted and prescribed as the classification of accounts and records which shall be kept and used by each and all of said utilities in the keeping and recording of their accounts; that every water utility doing business in the State of Illinois shall keep upon its books the accounts prescribed in said Classification so far as said accounts are pertinent to the facts and circumstances of its business; that a copy of said classification of accounts duly authenticated by the Secretary of the Commission shall be filed in its archives and a second copy thereof in like manner authenticated shall be filed in the office of the Chief Accountant; that each of said copies so authenticated and filed shall be deemed an original record thereof, and that a copy of said classification shall be sent to each and every water utility within the jurisdiction of the Commission.

IT IS FURTHER ORDERED that for the purpose of preserving a basis of comparison with previous years, any such utility may, during the twelve months following the date on which said issue becomes effective, keep and maintain, in addition to the accounts provided in the Uniform Classification of Accounts, such portion or portions of its present accounts as may be deemed desirable by any such utility for the purpose of comparison; that any such utility may keep any temporary or experimental accounts, the purpose of which shall be to develop efficiency of operation, and may make such subdivisions of the

prescribed accounts as may be desired, provided that such temporary or experimental accounts or sub-divisions shall not impair the integrity of any account prescribed in the said classification.

IT IS FURTHER ORDERED that January 1, 1923, be and the same is hereby, fixed as the date on which the said Uniform Classification of Accounts shall become effective.

In prescribing this system of accounts, the Commission does not commit itself to the approval or acceptance of any item set out in any account, for the purpose of fixing rates or in determining other matters before the Commission. The prescribed classification of accounts is designed to set out the facts in connection with the capitalization, construction, income, expenditures, etc., and therefrom the Commission will determine, in connection with such matters as may be under advisement from time to time, just what consideration shall be given to the various items in the several accounts.

By order of the Commission at Springfield, Illinois, this 14th day of December, 1922.

JULIUS JOHNSON,
Secretary.

## ILLINOIS COMMERCE COMMISSION

Office of Chief Accountant.

Springfield, Ill., December 15, 1922

*To Water Utilities of Illinois:*

Acting under instructions of the Illinois Commerce Commission, I am transmitting to you herewith an order of the Commission dated December 14, 1922, relating to the establishing of a uniform classification of accounts for water utilities; also a copy of the Uniform Classification of Accounts for water utilities prescribed in said order. The provisions of the law under which this system of accounts is established will be found on page 85 of this pamphlet.

This classification of accounts, both as to the structure of the accounting system and the rules pertaining thereto, is in conformity with the uniform classification of accounts recommended by the National Association of Railway and Utilities Commissioners except where modifications were necessary in view of local conditions in Illinois.

The observance of the rules and regulations prescribed in this classification of accounts is obligatory on all persons having direct charge of the accounts of the utilities concerned and such persons will be held responsible for their proper application.

The attention of the accounting officers is called to the importance of requiring all employees who are assigned to the accounting work to familiarize themselves thoroughly with these instructions.

For the purpose of securing uniformity in the application of the provisions of this classification, accounting officers are invited to submit to this department for consideration and decision all questions of doubtful interpretation of accounting rules contained in this classification.

W. M. HAMMOND,
*Chief Accountant.*

# UNIFORM CLASSIFICATION OF ACCOUNTS FOR WATER UTILITIES

## GENERAL INSTRUCTIONS

1. **Accounts to be kept by Double Entry Method.**—All the accounts (other than purely statistical accounts) defined in this classification must be kept by the double entry method.

2. **Account Numbers Not a Part of Title.**—The numbers prefixed to account titles in this classification are solely for convenience of reference, and are not a part of the titles or definitions. Companies operating more than one class of utility the accounting classifications for which contain the same account numbers (as electric, gas or heating utilities) may use a distinguishing prefix or suffix. It is recommended that the prefix "E" be used for electric utility accounts, "G" for gas utility accounts, "H" for heating utility accounts, and "W" for water utility accounts.

3. **Accounting Period.**—It is recommended that each water utility select the month as its accounting period, and that it make its bookkeeping entries on a monthly basis. It may, however, select a quarterly or other basis if that will better meet the conditions under which it conducts its business. Each utility will be required to close its books at the end of the fiscal year for which it makes its annual report.

4. **Records.**—Each water utility shall so keep its general accounting books and all other books and records which support in any way the entries to such accounting books that it can furnish at any time full information as to any account kept by it. Moreover, it shall support each entry to each account with such detailed information as will enable a ready identification and verification of the facts recorded therein.

The books referred to herein include not only books of account in a limited technical sense, but all other records, such as minute books, stock books, etc., which will be useful in developing the history of any of the accounting company's transactions.

5. **Classification of Utilities.**—Utilities having water-department revenues in excess of $250,000 per year are Class "A" utilities. Utilities having water-department revenues between $50,000 and $250,000 annually are Class "B" utilities. Utilities having water-department revenues between $10,000 and $50,000 are class "C" utilities. Utilities having water-department revenues of $10,000 or less are class "D" utilities. (See also paragraph 7, page 61.)

## STANDARD FORM OF BALANCE SHEET

ASSET SIDE

101. Fixed capital.

CURRENT ASSETS:

111. Cash.
112. Notes receivable.
113. Accounts receivable.
114. Interest and dividends receivable.
115. Marketable securities.
116. Materials and supplies.
117. Prepayments.
118. Subscribers to capital stock.
119. Miscellaneous current assets.

MISCELLANEOUS ASSETS:

121. Investments in affiliated companies.
122. Miscellaneous investments.
123. Sinking funds.
124. Replacement fund.
125. Miscellaneous special funds.
126. Special deposits.

DEFERRED DEBITS:

131. Unamortized debt discount and expense.
132. Property abandoned.
133. Jobbing accounts.
134. Clearing or apportionment accounts.
135. Work in progress.
136. Miscellaneous deferred debits.

ADJUSTMENT ACCOUNTS:

141. Discount on capital stock.
142. Reacquired securities.
143. Treasury securities.

## STANDARD FORM OF BALANCE SHEET

LIABILITY SIDE

201. Capital stock.
202. Premium on capital stock.
203. Capital stock subscribed.
211. Long term debt.
212. Receiver's certificates.

CURRENT LIABILITIES:

221. Notes payable.
222. Accounts payable.
223. Consumers' deposits.
224. Matured interest unpaid.
225. Dividends declared.
226. Matured long term debt unpaid.
227. Miscellaneous current liabilities.

ACCRUED LIABILITIES:

231. Taxes accrued.
232. Interest accrued.
233. Miscellaneous accrued liabilities.
241. Advances from affiliated companies.

RESERVES:

251. Retirement reserve.
252. Casualty and insurance reserve.
253. Unamortized premium on debt.
254. Sinking fund reserves.
255. Contributions for extensions.
256. Contingency reserve.
257. Miscellaneous reserves.
261. Miscellaneous unadjusted credits.
270. Profit and loss—balance.

# BALANCE SHEET ACCOUNTS

## GENERAL INSTRUCTIONS AND DEFINITIONS

1. **Balance Sheet Accounts Defined.**—By balance sheet accounts are meant those titles under which the ledger accounts are combined and summarized to show the assets, liabilities and surplus or deficit of an enterprise at a given time. Where the title and definition of a balance sheet account clearly indicate that it is a summary of other accounts, it is not required that a special ledger account shall be raised under such title to include the balances from the accounts usually carried on the ledger.

2. **Form of Balance Sheet.**—The standard form of balance sheet is shown on pages 10 and 11. Certain of the terms there used are defined, for the sake of greater clearness, in the following paragraphs:

3. **Current Assets.**—Current assets are those assets that are readily converted into money or capable (in the case of materials and supplies) of being used in operation or construction.

4. **Investments.**—Investment represents the relatively permanent employment of property for the purpose of directly or indirectly producing revenue. Investment in permanent assets devoted to the undertakings for which the accounting company is primarily organized is called fixed capital investment or simply *fixed capital.* Property in the form of assets necessary to the conduct of the accounting company's operations of which the individual items are subject to frequent change is sometimes said to represent an investment in *working capital.* Investments may also be of property segregated in special funds; of property devoted to the use of affiliated corporations; or of property not devoted to the undertakings for which the accounting company is primarily organized, as more specifically defined in account No. 122, "Miscellaneous Investments," which see. *Encumbered investments* are those held subject to a lien or other encumbrance of some character. *Unencumbered investments* are those held free of all encumbrances.

5. **Funds.**—Funds are assets, usually those capable of ready conversion into cash, set aside in the hands of trustees or otherwise restricted to specific uses.

6. **Deferred Debits.**—Deferred debit accounts are accounts in which may be carried any expenditure the appropriate disposition of which is not yet determined, or any loss which may properly be spread over a period of time, or any other debit which may be amortized through charges made to expense or other income accounts at intervals over a period of time; credit items, the final disposition of which is not yet determined, may also be carried in suspense under account No. 261, "Miscellaneous Unadjusted Credits."

7. **Adjustment Accounts.**—Adjustment accounts are accounts in which may be carried debits that offset certain liabilities, but which it is not desirable, as a matter of bookkeeping convenience, to charge against the liability accounts concerned.

8. **Current Liabilities.**—Current liabilities are those which are definitely determined in amount and are either matured at the date of the balance sheet or become due within a year from date or upon demand of the creditor.

9. **Accrued Liabilities.**—Accrued liabilities are those not yet due, but which are to become due in the near future and which accrue or grow from day to day, such as unmatured interest, rents, taxes, etc. Credits to accounts representing accrued liabilities whose amounts are not definitely

known, as in the case of many taxes, are made on the basis of estimates which are adjusted when the proper amounts become known.

10. **Reserves.**—Reserves are credit accounts created through arbitrary or estimated charges made to provide wholly or in part for matters to be later determined.

11. **Discount and Premium on Capital Stock.**—Ledger accounts shall be provided to cover the discounts and premiums on each class of capital stock issued or assumed by the accounting company. The total of the net debit balances remaining in these several accounts shall be included in account No. 141, "Discount on Capital Stock," and the total of the net credit balances in account No. 202, "Premium on Capital Stock."

By the term *discount* is meant the excess of the par value of stocks actually issued or assumed (and accrued dividends, if any, expressed in the contract of sale) over the actual cash value of the consideration received for such stocks. By the term *premium* is meant the excess of the actual cash value of the consideration received for stock issued or assumed over the par value of such stock (and accrued dividends, if any).

Entries in these accounts representing discounts should be carried therein until offset (1) by premiums realized on subsequent sales of the same class of stock, (2) by assessment levied on the stockholders, (3) by appropriations from surplus for that purpose, or (4) by charges to Profit and Loss upon reacquirement of the stock. Entries in these accounts representing premiums realized shall be carried therein until offset (1) by discount suffered on sales of the same class of stock, or (2) by credits to Profit and Loss upon reacquirement of the stock. In case the accounting company is permitted and elects to distribute all or any part of the net premium on its capital stock to its stockholders, the amount thus distributed shall be charged to the premium account.

For the purpose of this classification the premium realized at the sale of capital stock shall not be considered a profit and loss item except upon reacquirement of the stock sold.

In no case shall discount on capital stock be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

When stock which has been issued or assumed by the accounting company is reacquired, the difference between the price paid and the par value of the stock shall be charged or credited to Profit and Loss as may be appropriate. Concurrently the premium or discount account for the particular issue of stock reacquired shall be adjusted through Profit and Loss to the extent of the premium or discount applicable to the shares reacquired. This does not apply to the purchase of securities solely for special funds in which the accounting company carries at cost instead of par value securities issued or assumed by itself.

In case the premium or discount realized at the prior sale of the stock reacquired has been included in an asset account other than the premium and discount account, such asset account shall be concurrently adjusted through Profit and Loss to the extent of the premium or discount previously included therein with respect to the shares reacquired.

12. **Discount, Expense and Premium on Long Term Debt.**—Ledger accounts shall be provided to cover discounts, expense and premiums at the sale of each class of long-term debt (including receiver's certificates) issued or assumed by the accounting company. The total of the net debit balances remaining in these several accounts shall be included in account No. 131, "Unamortized Debt Discount and Expense" and the total of the net credit balances in account No. 253, "Unamortized Premium on Debt."

By the term *discount* is meant the excess of the par value of the securities issued or assumed and the accrued interest thereon, over the actual cash value of the consideration received for such securities. By the term *premium* is meant the excess of the actual cash value of the consideration received for securities issued or assumed over the par value of such securities and the accrued interest thereon.

By the term *expense* are meant all expenses in connection with the issue and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording mortgages and trust deeds; cost of printing bonds, certificates of indebtedness, and other commercial paper having life of more than one year; fees paid trustees acting under mortgages and trust deeds; fees paid for legal services to trustees relative to mortgage securities; fees and commissions paid underwriters and brokers for marketing such evidences of debt; and other like expense.

Each month (or other accounting period) there shall be charged to income account "Amortization of Debt Discount and Expense" a proportion (based upon the ratio of such fiscal period to the remaining life of the respective securities) of each of the debit balances in these accounts, and correspondingly there shall be credited to income account "Amortization of Premium on Debt," a similar proportion of each of the credit balances in these accounts.

When any long term debt which has been actually issued to *bona fide* holders for value is reacquired by the accounting company, a proportion of the balance remaining in the accounts covering discount, expense, and premium on long term debt of the class of security reacquired shall be credited or charged, as may be appropriate, to Profit and Loss. Such proportion shall be based upon the ratio of the par value of the security reacquired to the par value of all the securities of the same class actually outstanding immediately before such reacquirement. This does not apply to the purchase of securities solely for special funds in which the accounting company carries at cost instead of par value securities issued or assumed by itself.

In case, however, the premium or discount realized at the prior sale of the securities reacquired has been included (in excess of the proportion authorized in the text of fixed capital account No. 355, "Interest during Construction") in an asset account other than the premium account, such asset account shall be concurrently adjusted through Profit and Loss to the extent of such excess of the premium or discount previously included therein with respect to the securities reacquired.

Except as provided in account No. 355, "Interest during Construction," no discount on long term debt shall be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

13. **Contingent Assets and Liabilities.**—Contingent assets and liabilities shall not be included in the body of the balance sheet statement. Whenever the balance sheet is stated, however, contingent assets and liabilities, if any, should be shown in detail in a supplementary statement. Contingent assets represent possible sources of value contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may, under certain conditions, become obligations of the company, but are neither direct nor assumed obligations at the date of the balance sheet.

## TEXT PERTAINING TO BALANCE SHEET ACCOUNTS

### 101. FIXED CAPITAL.

This account shall include the cost of property having an expectation of life in service of more than one year which is devoted to the operations conducted by the accounting company, less deductions for property abandoned, sold, or otherwise retired.

Separate subdivisions shall be used for each distinct class of operations conducted by the accounting company, as, for example, "Fixed Capital—electric," "Fixed Capital—water." If, however, the accounting company conducts two or more separate and distinct classes of operations, as in the case of a company having both electric and water-departments, expenditures chargeable to such fixed capital accounts as "Land," "Organization," "General Structures," "Engineering and Superintendence," etc., which are not assignable to a particular department or kind of operations, may be shown in a subdivision having the title "Fixed Capital—general." The foregoing shall not be construed to prohibit the apportionment of such expenditures between departments provided the basis of the apportionment is clearly stated in the accounting company's records.

### 111. CASH.

This account shall include all money coming into the possession of the accounting company in which it has a beneficial interest. This covers coin of the United States, United States treasury notes, gold and silver certificates and greenbacks, and bank bills payable to bearer on demand; also all bank credits, checks and drafts receivable subject to satisfaction or transfer upon demand (whether payable to bearer or to order).

### 112. NOTES RECEIVABLE.

This account shall include the ledger value of all notes and bills receivable which are the property of the accounting company and upon which solvent concerns or individuals are liable. This covers demand notes, drafts, etc., issued by others than banks, and time notes, drafts, etc., by whomsoever issued. This account does not include notes coming within the definition of "Investments in Affiliated Companies" or "Miscellaneous Investments" (for which see pages 17 and 18).

### 113. ACCOUNTS RECEIVABLE.

This account shall include all amounts (other than deposits in banks) owing to the accounting company upon open book accounts with solvent concerns and individuals; also the ledger value of all accounts and claims upon which responsibility is acknowledged by solvent concerns and individuals or which are sufficiently secured to be considered good and of all judgments against such concerns where the judgment is not appealable or suspended through appeal. This account does not include negotiables.

NOTE A.—The record of accounts receivable shall be kept in such manner as to permit the ready segregation of the three groups, consumers' accounts with affiliated companies, and miscellaneous accounts receivable.

NOTE B.—It is suggested that when practicable consumers' accounts be further classified into current month accounts, accounts more than one month but less than one year old, and accounts over one year old.

### 114. INTEREST AND DIVIDENDS RECEIVABLE.

This account shall include the amount of interest accrued to the date of the balance sheet on funded and unfunded securities, loans, open accounts,

mortgages and deposits held by or for the accounting company; dividends declared on stocks similarly held, and dividends accrued on stocks when contracts require that the dividend be paid at stated times.

NOTE.—No amount representing interest or dividends receivable shall be included in this account unless its payment is reasonably assured by past experience and anticipated provision, or otherwise. But the definition of this account should not be construed to prevent the carrying of interest and dividends receivable in a suspense account until collection has actually been made, even though the debtor be considered to be solvent.

115. MARKETABLE SECURITIES.

This account shall include the cost or book value of marketable securities (other than those issued or assumed by the accounting company) held in the accounting company's treasury unpledged and free for sale and not necessary or desirable for the company to hold for the purpose of maintaining the integrity of its business or operations. Securities which may not readily be sold at their fair market value should be classed as "Miscellaneous investments," and included in account 122.

Records shall be kept which will permit ready analysis of the balance in this account as between:

(a) Stocks.

(b) Bonds.

(c) Long term notes (not classifiable as notes receivable and properly includible in account 112).

(d) Miscellaneous.

116. MATERIALS AND SUPPLIES.

This account shall include the balance representing the cost (including transportation, insurance, and inspection charges, customs duties, etc.) of all material and supplies not charged out of the accounting company's accounts, regardless of whether the same are intended to be consumed in construction or in operation, or later to be sold. Trade or cash discounts allowed in connection with the purchase of or payments for materials and supplies shall be credited to the particular bills on which such discounts are allowed, or to clearing account "Stores Expense" when not practicable to credit the particular bills.

The cost of materials and supplies includes all specifically assignable transportation charges incurred in obtaining the delivery of such materials and supplies upon the premises of the purchaser, and the cost of any special tests made thereon prior to their acceptance.

When any materials and supplies, the cost of which has been charged to this account, are issued for use, the amount at which they stand charged herein should be credited to this account and charged to the proper construction, operating expense, or other account.

The scrap or salvage value of things retired from service shall be charged to an appropriate sub-account in this account while such things remain the property of the accounting company. If such salvage value is not known, it shall be estimated and the estimated amount adjusted to conform to the fact when it is determined.

Inventories of materials and supplies shall be taken at least annually, and any shortage or overage disclosed by such inventories shall be credited or debited to this account and concurrently debited or credited to operating expenses, fixed capital, or other appropriate accounts. (See general instructions pertaining to operating expense accounts, section 2, page 60.)

NOTE A.—It is not required that the transportation and other elements of cost shall be assigned with a greater degree of accuracy than to the nearest cent per unit of material or supply. Where a single transportation item covers a multitude of things, the portion of the expense not assigned to specific things should be charged to the same account to which store expenses are charged.

NOTE B.—If an appliance sold is for any reason returned to the accounting company, it should be charged to the appropriate sub-account at its appraised value. Cost of repairing or renovating it should be charged to the same account. Appropriate adjustments should be made in accounts credited with the original sale.

117. PREPAYMENTS.

This account shall include the debit balances described under the following sub-heads:

(a) PREPAID TAXES. The excess of taxes paid over the amount properly chargeable to current income or other similar account, as shown by a debit balance in the liability account. (See account No. 231, "Taxes Accrued," page 24.)

(b) PREPAID RENTS. The amount of rents paid in advance of the enjoyment of the term. As the term is consumed, this account shall be credited at regular accounting intervals and the appropriate rent account debited with the amount applicable to the period.

(c) PREPAID INSURANCE. The amount of premium on insurance policies paid in advance of their accrual. As such premiums accrue they should be credited at regular accounting intervals to this account and charged to the appropriate operating expense or other account.

(d) MISCELLANEOUS PREPAYMENTS. Prepayments made for any purpose other than as provided for in the three preceding heads.

NOTE.—By the accrual of insurance, rents, etc., it is meant their accumulation when considered as spread uniformly over the period to which they apply. Thus, if the rent fixed by contract of lease for a certain property is $600 for a calendar year, this accrues at the rate of $50 each month (unless it is desired to base the accruals on days, when the varying lengths of the months would require to be considered), regardless of the actual times when the rent matures; $50 should thus (if the rent has been prepaid) be credited each month to the sub-account "Prepaid Rents," and concurrently charged to the appropriate account.

118. SUBSCRIBERS TO CAPITAL STOCK.

This account shall be charged with subscriptions received for capital stock. The amount expressed in the entry charging this account shall be determined in accordance with the subscription agreement. Concurrently, there shall be credited to account No. 203, Capital Stock Subscribed, an amount representing the stock subscribed as stipulated in the subscription agreement. Payments received from subscribers shall be credited to this account.

119. MISCELLANEOUS CURRENT ASSETS.

This account shall include the cost of all current assets which are not includible under any of the foregoing accounts. (See "Balance Sheet Accounts—General Instructions and Definitions," Section 3, page 12.)

121. INVESTMENTS IN AFFILIATED COMPANIES.

This account shall include the ledger value of the accounting company's investment in securities or non-negotiable notes issued or assumed by affiliated companies; also of its investment advances to such companies. Two companies are affiliated if either one controls the policy of the other or if both are subject to the same control. By "Investment advances" are meant debit balances in open accounts with affiliated companies not subject to current settlement and interest accrued on such open accounts when such interest is not subject to current settlement. This account shall be sub-divided as follows:

(a) Stocks.
(b) Bonds.
(c) Notes.
(d) Advances.

NOTE A.—Accounts with affiliated companies which are subject to current settlement, such as charges for materials and supplies currently furnished, charges for repairs to equipment, etc., shall be classed as current assets or current liabilities as may be appropriate.

NOTE B.—Securities borrowed by the accounting company and pledged should not be included in this account.

NOTE C.—Securities pledged for purposes other than that of security for long or short term debt of the accounting company should be included in account No. 123, "Sinking Funds"; account No. 124, "Replacement Fund"; account No. 125, "Miscellaneous Special Funds"; or account No. 126, "Special Deposits," as may be appropriate.

122. MISCELLANEOUS INVESTMENTS.

This account shall include the accounting company's investment in tangible property not coming within the definition of fixed capital; as, for example, real estate leased to others or held for a rise in value, etc., and all other miscellaneous investments of a permanent nature not provided for elsewhere, including the cost or book value of investment advances to non-affiliated companies or individuals, and investments in securities issued or assumed by such companies or individuals when such securities are held subject to a mortgage, pledge, or other lien, or the retention thereof is necessary or desirable to maintain the integrity of the accounting company's business or operations.

Securities held in special funds shall not be included in this account, but shall be included in the appropriate special fund account.

Records shall be kept which will permit ready analysis of the balance in this account as between,

(a) Physical property (other than assignable to account 101).

(b) Securities.

(c) Miscellaneous.

123. SINKING FUNDS.

This account shall include the amount of cash, the ledger value of securities of other companies, and other assets which are held by trustees of sinking funds for the purpose of redeeming outstanding obligations, including such assets so held by the accounting company when they are segregated in a distinct fund; also amounts deposited with such trustees on account of mortgaged property sold, when the proceeds of such sale are to be held for the redeeming of securities; and the cost of live securities issued or assumed by the accounting company and held in such funds. A separate account shall be kept for each fund and the title of each fund should designate the obligation in support of which the fund is created.

NOTE.—Should the constituents of a sinking fund change substantially in value, and such change seem likely to be permanent, it may be reflected by suitable entries in this account and in the corresponding reserve account or in "Profit and Loss," as may be appropriate.

124. REPLACEMENT FUND.

If the accounting company desires, or is required, to segregate in a special fund the assets or any part of the assets represented by the retirement reserve, the ledger value of such assets shall be included on the balance sheet in this account.

125. MISCELLANEOUS SPECIAL FUNDS.

This account shall include the amount of cash and the ledger value of securities of other companies and other assets in insurance, employees' pensions, savings, relief, hospital, and other funds which have been raised and specifically set aside or invested for purposes not provided for elsewhere; also the cost of securities issued or assumed by the accounting company and held in such funds. A separate account shall be provided for each fund.

126. SPECIAL DEPOSITS.

This account shall include the debit balances described under the following sub-heads:

(a) COUPON SPECIAL DEPOSITS. All moneys and bank credits specially deposited in the hands of fiscal or other agents of the accounting company for the payment of interest coupons when presented. Such coupons when paid from such deposits shall be credited to this account and charged to the appropriate matured interest account. Payments to trustees (or other agents of the holders of bonds or other securities) of the interest accrued thereon which operate under the terms of the securities (or of mortgages

supporting such securities) as a release of the paying corporation from further liability from such interest shall not be charged to this account but to the appropriate "Interest Accrued" account.

(b) DIVIDEND SPECIAL DEPOSITS. All moneys and bank credits specially deposited in the hands of the fiscal or other agent of the accounting company for the payment of dividends upon its stocks. Such dividends when paid from such deposit shall be credited to this account and charged to the appropriate dividend account.

(c) MISCELLANEOUS SPECIAL DEPOSITS. All moneys and bank credits deposited in the hands of fiscal or other agents of the accounting company for other special purposes than the payment of interest coupons and dividends. Charges to this account shall specify the purpose for which deposit is made. When such purposes are satisfied, this account shall be credited with the amount specially deposited to provide such satisfaction.

NOTE.—This account shall not include any assets available for general corporate purposes.

## 131. UNAMORTIZED DEBT DISCOUNT AND EXPENSE.

This account shall include the total of the net debit balances representing the discount and expense in connection with the issuance of each class of the accounting company's long term debt. (See "Balance Sheet Account —General Instructions and Definitions," Section 12, Page 13.)

## 132. PROPERTY ABANDONED.

This account is intended as a suspense account which shall include the retirement loss (i. e., the original cost, estimated if not known, plus cost of dismantling, less salvage) on property destroyed or abandoned because of replacement, of obsolescence, of an extraordinary casualty, or for any other reason, when such loss has not been provided for in advance through a reserve. Amounts thus charged shall be amortized through annual or more frequent charges over a definitely determined period to such accounts as shall be proper.

## 133. JOBBING ACCOUNTS.

This account shall include the balances in accounts with customers or others for jobbing work not completed at the date as of which the balance sheet is stated. Such accounts, when work is completed and charges made, shall be cleared by charges to accounts receivable.

## 134. CLEARING OR APPORTIONMENT ACCOUNTS.

This account shall include the balances in accounts maintained to carry temporarily the cost of operating such facilities as garages, stables, storehouses, etc., and also overhead or burden costs such as it is desirable shall be apportioned over the construction and operating accounts involved.

The charges to operating accounts and the credits to these accounts should, unless there is some good reason to the contrary, be so distributed that the costs for any one year will be absorbed by the transactions occurring during that year.

## 135. WORK IN PROGRESS.

This account shall include the total of the balances in open "work order" or "job order" accounts for work in progress, or in suspense accounts to which the cost of construction or maintenance work is temporarily charged pending its final distribution to the appropriate fixed capital or operating expense accounts.

NOTE.—Charges for additions to fixed capital not involving replacements, or for improvements which necessitate retirements or reconstruction of existing property when full credits have been made in advance to fixed capital accounts to cover the ledger cost of property retired, may be carried in fixed capital account No. 359, "Unfinished Construction," which see.

136. MISCELLANEOUS DEFERRED DEBITS.

This account shall include all debits not elsewhere provided for, the proper final disposition of which is uncertain. This will include the cost of tentative or preliminary surveys, designs and investigations made for determining the feasibility of projects under contemplation. If the project is thereafter definitely undertaken, such amount shall be credited to this account and charged to the proper work order, fixed capital or other account. If the project is abandoned, the cost of the preliminary investigation shall be charged to the appropriate operating expense or other account. Whenever the proper disposition of any matter charged to this account is determined, it shall be credited to this account and charged to the appropriate account.

141. DISCOUNT ON CAPITAL STOCK.

This account shall include the total of the net debit balances representing the discount on capital stock issued or assumed by the accounting company (see "Balance Sheet Accounts—General Instructions and Definitions," Section 11, Page 13.)

142. REACQUIRED SECURITIES.

When securities, whether debt or stocks, have been actually issued by the accounting company to *bona fide* holders for value (or after such issue by another corporation have been assumed by the accounting company) and after such issue (or assumption) have been acquired by the accounting company under circumstances which require that they shall not be treated as paid or retired, they shall be charged at face value to this account. If the price at which such securities have been reacquired is greater or less than the par or face value, the difference shall be adjusted through Profit and Loss or through the appropriate discount or premium account.

NOTE A.—This acocunt shall not include securities that are merely guaranteed.
NOTE B.—This account shall not include any securities held in sinking and other reserve funds.

143. TREASURY SECURITIES.

This account shall include the par value of securities which have been nominally but not actually issued by the accounting company. For definition of the term "Nominal issue" see note under account No. 201, "Capital Stock," and Note B under account No. 211, "Long Term Debt."

201. CAPITAL STOCK.

This account shall include the items described under the following sub-heads:

(a) FULL PAID STOCK. This covers the total par value of stocks or receipts issued to represent permanent full-paid interests in the accounting company, or interests which, if terminable, are so only at the option of the company. By "Full paid interest" is meant an interest in which the full amount of the subscription has been paid in.

(b) INSTALLMENTS PAID ON STOCK SUBSCRIPTIONS. This covers the amount of installments paid on subscriptions for capital stock. When the full amount of the subscription has been paid and certificates of stock are issued therefor this account shall be cleared and the par value of the stock so issued shall be credited to the account appropriate for such stock.

(c) STOCK LIABILITY FOR CONVERSION. This covers the accounting company's liability under agreements to exchange its capital stock for the outstanding securities of companies whose physical property has been acquired under such agreements, but whose securities have not yet been surrendered for exchange.

The records shall be so kept that stocks of different classes may be separately shown. The following is the most important classification of stock:

(a) Common stock: Stock which has no preference in the distribution of dividends.

(b) Preferred stock: Stock having preference in the distribution of dividends.

(c) Debenture stock: Stock issued under a contract to pay a specified return at specified intervals.

Preferred stock may be further classified as *first preferred, second preferred, etc.;* or as *cumulative* or *non-cumulative;* or as *participating* or *non-participating. First preferred stocks* are those which have the first claim upon such dividends as may be distributed; a claim upon dividends taking precedence over the claim of common stock but inferior to the first preferred stock may be represented by *second preferred stock,* and so on. Stock is *cumulative* if the amount by which the dividend at any dividend period fails to reach a stipulated dividend rate and is carried forward to continue as a claim upon the dividend fund until satisfied. Stock is *non-cumulative* if such amount lapses. Stock is *participating* if it is not limited to a stipulated rate in the amount of dividends which it may receive but is entitled to participate, in accordance with the terms of the contract under which it is issued, in further dividends. It is *non-participating* if it is limited to a stipulated rate.

Stocks may differ also with respect to voting provisions and conditions under which they may be retired. A separate ledger account should be maintained for each class of stock issued, and no two stocks shall be considered of the same class unless they are equal in their interest or dividend rights, their voting rights, and the conditions under which they may be retired. The characteristics of any class of stocks in these three regards shall be designated in the title of the account raised to cover such stocks and shall be clearly expressed in the first entry of such account. To the account for any class of stock shall be credited, when issued, the par value of the amount of stock of that class issued. If such issue is for money, that fact shall be stated; and if for any other consideration than money, the person to whom issued shall be designated and the consideration for which issued shall be described with sufficient particularity to identify it; if such issue is to the treasurer or other agent of the corporation to be by him disposed of for the benefit of the corporation, that fact, and the name of such agent, shall be shown; and such agent shall, in his account of the disposition thereof, show the like details concerning the consideration realized thereon, which account, when accepted by the corporation, shall be preserved as a corporate record. If the fair cash value of the consideration realized upon the issue of any amount of stock is greater than the par value of such stock and accrued dividends, if any, expressed in the contract of issue, the excess shall be credited to account No. 202, "Premium on Capital Stock," and corresponding reference thereto shall be contained in the entry relating to such stock in the stock account.

For each class of stock the records shall also show plainly the par value of (1) certificates issued and actually outstanding, being those not held by the company, its agents or trustees, or subject to its control; and (2) certificates pledged and unpledged held in the company's treasury, by its agents or trustees, or otherwise subject to its control, including both those acquired after actual issue and those nominally but never actually issued.

NOTE A.—Capital stock is considered *nominally issued* when certificates are signed and sealed and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the accounting company. It is considered to be *actually issued* when it has been sold to a *bona fide* purchaser for a valuable consideration, and such purchaser holds it free from all control by the accounting company. All capital stock actually issued and not reacquired by or for the accounting company is considered to be *actually outstanding.* If reacquired by or for the accounting company, under such circumstances as require it to be held alive and not canceled or retired, it is considered to be *nominally outstanding.*

NOTE B.—When stock without par value is issued the actual money value of the consideration realized from the issue should be credited to the account representing that particular class of stock.

202. PREMIUM ON CAPITAL STOCK.

This account shall include the excess of the actual money value (at the time of issue of the stock) of the consideration received for such issue over the par value of the amount of stock issued and accrued dividends, if any, expressed in the contract of issue. If the stock is issued by the corporation to its treasurer or other agent, the excess of the actual money value of the consideration obtained by such agent in exchange for such stock over the par value and accrued dividends thereof shall be considered the premium realized. A separate ledger account shall be maintained for each class of stock as distinguished according to the text of account No. 201 preceding. Entries in these accounts shall be carried therein until offset by credits to Profit and Loss upon reacquisition of the stock or by credits to "Cash" or similar account if the corporation elects to distribute to its stockholders all or any part of the premium realized on its stock.

203. CAPITAL STOCK SUBSCRIBED.

Subscriptions to capital stock shall be credited to this account. This account shall be charged when the subscriber has paid his subscription in full and is entitled to receive certificates representing the shares subscribed. Concurrently, credits shall be made to account No. 142, "Reacquired Securities," or account No. 143, "Treasury Securities," if deliveries are made from capital stock so held. Otherwise credit the appropriate subdivision of Account 201, "Capital Stock."

211. LONG TERM DEBT.

This account shall include the total par value of all debt except receiver's certificates and advances from affiliated companies (for which see below) which by the terms of its creation does not mature until more than one year after date of creation. This covers bonds, notes, mortgage certificates, and all other forms of acknowledgement of indebtedness.

The records shall be so kept that long term debt of different classes may be separately shown. The most important classification is that based upon the nature of the lien or security as follows:

(a) Mortgage Bonds: Bonds secured by a lien on physical property and not includible in the other subdivisions of this account.

(b) Collateral Trust Bonds: Bonds and notes having a date of maturity of more than one year after date of issue secured by a lien on securities or other commercial paper; also stock trust certificates that are similar in character to collateral trust bonds.

(c) Income Bonds: Bonds which are a lien on the accounting company's revenue alone, or bonds which, while being a lien on its property and franchises, can claim payment of interest only in case interest is earned.

(d) Equipment Obligations: Equipment bonds, equipment notes, or other obligations secured by lien on specific equipment.

(e) Miscellaneous Obligations: All long term obligations not provided for in the four preceding classes, including notes, unsecured certificates of indebtedness, debenture bonds, plain bonds, real estate mortgages executed or assumed, and other similar obligations maturing more than one year after date of issue.

(f) Receipts Outstanding for Long Term Debt: Receipts for payment on account of long term debt securities. When the securities are issued for amounts so paid, the face value shall be included in the account covering the class of funded debt for which the securities are issued.

Long term debt may differ also with respect to rates of interest, interest dates, and date of maturity. Separate ledger accounts shall be maintained for each class of long term debt, and no two amounts of debt not agreeing in respect of all four of the characteristics above named shall be included in the same ledger account, except that part of any long term debt issue agreeing in other characteristics, but maturing serially, may be treated as of the same class. The title of each ledger account for long term debt

shall express the four characteristics above stated, that is to say, mortgage or other lien or security, rate of interest, dates of maturity of interest, and date of maturity of principal: as, e. g., "First Mortgage 5 per cent. Q. F. 10, August 10, 1928," which means a debt secured by the company's first mortgage, bearing interest at the rate of 5 per cent. per annum, interest maturing quarterly on February 10, May 10, August 10, and November 10 of each year, principal maturing August 10, 1928.

For each class of long term debt the records shall also show plainly (1) the par value of certificates or other evidences of debt issued and actually outstanding, being those not held by the company, its agents or trustees, or subject to its control; and (2) the par value of certificates or other evidences of debt pledged or unpledged held in the company's treasury, held by its agents or trustees, or otherwise subject to its control; including both those reacquired after actual issue and those nominally but never actually issued.

NOTE A.—Securities maturing one year or less from date of issue shall be included in account No. 221, "Notes Payable." Matured long term debt shall be included in account No. 226, "Matured Long Term Debt Unpaid."

NOTE B.—Long term debt securities are considered to be *nominally issued* when certified by trustee and placed with the proper officer for sale and delivery, or pledged or otherwise placed in some special fund of the accounting company. They are considered to be *actually issued* when they have been sold to a *bona fide* purchaser for a valuable consideration and such purchaser holds them free from all control by the accounting company. All securities actually issued and not reacquired and held by or for the accounting company under such circumstances as require them to be considered as held alive and not cancelled or retired are considered to be *actually outstanding*. If reacquired by or for the accounting company, under such circumstances as require them to be considered as held alive and not cancelled or retired, they are considered to be *nominally outstanding*.

## 212. RECEIVER'S CERTIFICATES.

When any receiver, acting under the orders of a competent court, is in possession of the property of a corporation, and under the orders of such court issues certificates of indebtedness chargeable upon such property, the par value of such certificates shall be included in this account.

NOTE.—Separate sub-accounts shall be maintained for receiver's certificates which mature in more than one year and those which mature in one year or less from date of issue.

## 221. NOTES PAYABLE.

This account shall include the balances representing outstanding obligations in the form of notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or within a time not exceeding one year from date of issues.

NOTE.—Secured notes and time loans payable more than one year from date of issue shall be included in account No. 211, "Long Term Debt."

## 222. ACCOUNTS PAYABLE.

This account shall include the amount of audited vouchers or accounts and audited pay rolls unpaid on the date of the balance sheet; also balances representing unclaimed wages and outstanding pay and time or discharge checks issued in payment of wages, open accounts with other companies, except such as are includible under account No. 241, "Advances from Affiliated Companies," and similar items.

## 223. CONSUMERS' DEPOSITS.

This account shall include the amounts deposited with the accounting company by consumers as security for the payment of bills. Deposits refunded shall be charged to this account and credited to "Cash" or to account No. 125, "Miscellaneous Special Funds," if a special fund for such deposits is maintained. Deposits applicable to uncollectible or worthless bills, shall, at the close of the fiscal year (or earlier at the option of the accounting company) be credited to the account of the consumer involved and debited to this account.

224. MATURED INTEREST UNPAID.

This account shall include the amount of matured and unpaid interest on debt of the accounting company except where such interest is added to the face of the principal as is the usual case with judgments and sometimes with advances from affiliated companies.

225. DIVIDENDS DECLARED.

This account shall include the amount of any dividends which have been declared, but not paid. Dividends shall be credited to this account as of the day upon which they become a liability of the accounting company (which is generally the date upon which they are declared) and when paid shall be charged to this account and credited to "Cash" or other suitable account.

226. MATURED LONG TERM DEBT UNPAID.

This account shall include the amount of long term debt matured and unpaid without specific agreement for extension as to time of payment, including unpresented bonds drawn for redemption through the operation of sinking and redemption fund agreements.

NOTE.—Real estate mortgages whose nominal maturity has been reached, but, which, by mutual agreement between mortgagee and mortgagor, are continued indefinitely as obligations of the accounting company, need not be transferred to this account, but may continue to be carried in account No. 211, "Long Term Debt."

227. MISCELLANEOUS CURRENT LIABILITIES.

This account shall include the balances in all open accounts representing current liabilities not specifically provided for in the foregoing accounts.

231. TAXES ACCRUED.

This account shall include the amount of taxes accrued and properly charged against income or other accounts in excess of the amount of taxes paid as shown by the credit balance in the tax liability account.

An open account entitled "Tax Liability Account" shall be raised and to it shall be credited at the close of each accounting period taxes accrued during the period, corresponding debits being made to the appropriate accounts for tax charges. Such credits will necessarily be based upon estimate, but from time to time during the year as the actual tax levies become known, the amount of the periodic credits shall be adjusted so as to include as nearly as may be possible in each year the taxes applicable thereto. When any tax is paid, it shall be charged to the "Tax Liability Account" and credited to "Cash" or other suitable account. A debit balance in the "Tax Liability Account" due to the prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be shown under account No. 117, "Prepayments," while a credit balance shall be shown under account No. 231, "Taxes Accrued."

232. INTEREST ACCRUED.

This account shall include the amount of interest accrued to the date of the balance sheet, but not payable until after that date, on all indebtedness of the accounting company except where such interest is added to the face of the principal, as is the usual case with judgments, and sometimes with advances from affiliated companies. When such interest is paid, it shall be charged to this account and credited to "Cash" or other suitable account. Separate sub-accounts shall be maintained for each item of indebtedness.

When interest matures without being paid, it shall be charged to this account and credited to account No. 224, "Matured Interest Unpaid." Payments to trustees (or other agents) of the holders of bonds or other securities of the interest accrued thereon which operate under the terms of the securities (or mortgages supporting such securities) as a release of the paying company from further liability for such interest shall be considered

equivalent to payments of interest made direct to bondholders and such interest shall not be credited to "Matured Interest Unpaid."

The interest accrued upon any judgment against the accounting company shall not be credited to this account, but to the account to which such judgment stands credited.

233. MISCELLANEOUS ACCRUED LIABILITIES.

This account shall include the balances in all accounts representing accrued liabilities other than interest or taxes.

241. ADVANCES FROM AFFILIATED COMPANIES.

This account shall include the par value of non-negotiable notes due to affiliated companies, credit balances in open accounts with such companies other than credit balances in current accounts classable as current liabilities, and interest accrued on notes and open accounts included in this account when such interest is not subject to current settlement. Two companies are affiliated if either one controls the policy of the other, or if both are subject to the same control.

This account shall be subdivided as follows:

a. *Notes,* including both time and demand notes;

b. *Open accounts* not subject to current settlement;

c. *Interest* accrued on amounts included in this account when not subject to current settlement.

Accounts with affiliated companies which are subject to current settlement, such as charges for materials and supplies currently furnished, charges for repairs to equipment, etc., shall be classed as current assets or current liabilities as may be appropriate. Negotiable notes due to affiliated companies shall not be included in this account but in account No. 221, "Notes Payable."

251. RETIREMENT RESERVE.

To this account shall be credited such amounts as are charged to the Operating Expense Account, "Retirement Expense," to cover the retirement loss represented by the excess of the original cost, plus cost of dismantling, over the salvage value of fixed capital retired from service; to this account shall also be credited such amounts as may be appropriated from surplus for a similar purpose. When any fixed capital is retired from service, the original cost thereof (estimated if not known, and where estimated, the facts on which the estimate is based should be stated in the entry) should be credited to the proper fixed capital account and charged, plus the cost of retirement, less salvage, to this account. If the credit balance in this account is insufficient to cover the retirement loss, the excess over the balance contained in the reserve may be charged to account No. 132, "Property Abandoned," which see, or other appropriate account.

The losses which this account is intended to cover are those incident to important retirements of buildings, of large sections of continuous structures, like water mains, or of definitely identifiable units of plant or equipment, and the object of the account is that the burden of such losses may be as nearly as is practicable equalized from year to year.

NOTE A.—When property is retired whose ledger value has been reduced below original cost, only the remaining ledger value shall be written off as retirement loss.

NOTE B.—When any property is retired whose ledger value is greater than the known or estimated cost, such excess shall be charged to Profit and Loss.

NOTE C.—If any property is sold for more than its original cost, the excess of its selling price over the cost of the property plus the cost of dismantling and selling, shall be credited to this account.

NOTE D.—If the accounting company has, previous to the effective date of this uniform classification of accounts, maintained a reserve under some other title such as "Depreciation Reserve" for the purpose of equalizing retirement losses, the balance in such reserve, as at the effective date of this classification, shall be transferred to this account.

252. CASUALTY AND INSURANCE RESERVE.

When any admitted liability arises because of loss or damage to the property of others, or of injuries to employees or other persons, the amount of liability may (if not previously provided for by insurance or self-insurance), be charged to the appropriate operating expense or other accounts and credited to this account against which (in such case) the actual cost of satisfaction of the liability shall be charged when the matter is determined. If the extent of the liability can not be ascertained promptly after the liability arises, it may be estimated as accurately as practicable for the purpose of determining the immediate charge to the expense or other appropriate account, in which case the matter shall be adjusted when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the accounting company, the indemnifiable portion of the loss shall be charged to the insurer and credited to "Casualty and Insurance Reserve." This account shall also include the amounts charged to operating expense account "Insurance" to cover self-carried risks.

253. UNAMORTIZED PREMIUM ON DEBT.

When long term debt securities or other evidences of indebtedness are disposed of for a consideration whose cash value (exclusive of accrued interest) is greater than the par value of such securities or other evidences of indebtedness, the excess of such cash value of the consideration received over the par value of the securities or other evidences of indebtedness shall be credited to this account. At regular accounting intervals thereafter a proper portion of such premium, based upon the life of the security or other evidence of indebtedness to maturity, shall be charged to this account and credited to account No. 434, "Amortization of Premium on Debt," in the income account.

254. SINKING FUND RESERVES.

This account shall include the net balances in accounts to which are credited, in accordance with the requirement of mortgages and other contracts, or by action of the company's directors, definite appropriations of income and surplus whether held in general funds or specifically set aside in the hands of trustees, for the purpose of retiring or redeeming bonds or other obligations of the accounting company. It shall also include such accretions from the investment of funds specifically set aside for the above described purpose as are required to be added to the reserve.

When the debt which the sinking fund is created to redeem matures and the fund has accomplished its purpose, the balance in the reserve shall be charged to this account and credited to Profit and Loss. If the mortgage or other obligation permits, the par value of bonds or other evidences of indebtedness issued or assumed by the accounting company which are reacquired through the operations of a sinking fund may be charged to this account and credited to Profit and Loss when and as such bonds or other evidences of indebtedness are acquired.

255. CONTRIBUTIONS FOR EXTENSIONS.

To this account shall be credited contributions in money or property made to the accounting company for the purpose of assuming the burden or any part of the burden represented by the investment necessary for the establishment or extension of services rendered by the company. This covers such items as contributions towards the cost of line extensions in sparsely settled territory made by consumers, either voluntarily or when reasonably required by the company as a condition of giving the desired service, and the cost of services to which the company has title, in so far as such cost is borne by the consumer; it also covers grants from municipal or other governmental bodies or contributions from chambers of commerce and

similar organizations made with the object of establishing a new service in the community by assuming part of the investment cost of the enterprise.

NOTE.—This does not include advances for the construction of extensions which are ultimately to be repaid wholly or in part to the consumer. Such advances should be credited to Account 261, "Miscellaneous Unadjusted Credits." When final determination has been made as to the amount of the advance to be returned to the consumer the balance, if any, shall be credited to this account.

256. CONTINGENCY RESERVE.

This account shall include such amounts as the accounting company may desire to set aside to provide against unforeseen contingencies.

257. MISCELLANEOUS RESERVES.

This account shall include the balances in all reserves other than those provided for in the six preceding accounts.

NOTE.—If the accounting company maintains operating reserves for the purpose of equalizing expenses from month to month, such reserve shall be cleared annually unless there remains a credit balance due to the non-completion of maintenance work because of adverse labor conditions, non receipt of material, or other similar reasons, in which case such part of the balance as is applicable to unfinished work may be carried over to the following year. Under no circumstances shall a debit balance be carried over the year.

261. MISCELLANEOUS UNADJUSTED CREDITS.

This account shall include the amount of credit balances in suspense accounts that can not be entirely cleared and disposed of until additional information is received.

270. PROFIT AND LOSS—BALANCE.

Under this head shall be shown the balance in the Profit and Loss account. (See "Profit and Loss Account—General Instructions and Definitions," Section 1, Page 51.)

## FIXED CAPITAL ACCOUNTS

INTANGIBLE FIXED CAPITAL:

301. Organization.
302. Franchises.
303. Miscellaneous Intangible Capital.

TANGIBLE FIXED CAPITAL:

311. Land.
    (a) Source of supply land and water rights.
    (b) Pumping station land.
    (c) Purification land.
    (d) Storage land.
    (e) Transmission and distribution land and rights of way.
        (e-1) Transmission lands and rights of way.
        (e-2) Distribution land and rights of way.
    (f) General office land.
    (g) Miscellaneous land devoted to water operations.
        (g-1) Stores department land.
        (g-2) General shops land.
        (g-3) Garage land, etc.

312. Structures.
    (a) Source of water supply structures.
    (b) Pumping station buildings and fixtures.
    (c) Purification buildings and fixtures.
    (d) Reservoirs and standpipes.
    (e) Distribution structures.
    (f) General office buildings and fixtures.
    (g) Miscellaneous structures devoted to water operations.
        (g-1) Stores department structures.
        (g-2) General shop structures.
        (g-3) Garage structures, etc.

313. Boiler plant equipment.
314. Steam power pumping equipment.
315. Electric power pumping equipment.
316. Gas or oil power pumping equipment.
317. Hydraulic power pumping equipment.
318. Miscellaneous pumping equipment.
319. Purification system.
320. Transmission mains or canals.
321. Distribution mains or canals.
322. Services.
323. Consumers' meters.
324. Meter installation.
325. Hydrants.
326. Fire cisterns, basins, fountains and troughs.
327. General equipment.
    (a) Office equipment.
    (b) Shop equipment.
    (c) Stores equipment.
    (d) Transportation equipment.
    (e) Telephone, telegraph and wireless system.
    (f) General laboratory equipment.
    (g) Miscellaneous equipment.
328. Miscellaneous tangible capital.

OVERHEAD COSTS AND OTHER UNDISTRIBUTED ITEMS:

351. Engineering and superintendence.
352. Law expenditures during construction.
353. Injuries and damages during construction.
354. Taxes during construction.
355. Interest during construction.
356. Miscellaneous construction expenditures.
357. Fixed capital not classified by prescribed accounts.
358. Cost of plant and equipment purchased.
359. Unfinished construction.

# FIXED CAPITAL ACCOUNTS

## GENERAL INSTRUCTIONS AND DEFINITIONS.

1. **Fixed Capital Defined.**—By the fixed capital of a coporation is meant the property, both tangible and intangible, which is devoted to the accomplishment of the principal purposes of its business and which has an expectation of life in service of more than one year from date of installation in service.

2. **Tangible and Intangible Capital and Overhead Costs.**—Tangible capital covers all physical property classed as fixed capital. Charges to specific accounts for tangible property cover direct labor and material costs up to and including the time of the foreman supervising the job; also such overhead expenditures for engineering, taxes during construction, etc., as can be allocated to definite items of property. Charges to overhead cost accounts should cover only expenditures of this nature which pertain to the enterprise as a whole and cannot be allocated to definite items of property. Intangible capital covers organization expenditures, and rights, privileges, and other property not physical, such as franchises or patent rights.

So far as possible overhead costs should be assigned or apportioned to particular jobs or items to the end that each item shall bear its proper share of such cost, and that the entire cost of the item, both direct and overhead, shall be deducted from the fixed capital accounts at the time of its retirement. Certain overhead costs, however, which clearly pertain to the entire enterprise, such as in some cases engineering, interest, etc., should not be apportioned, but retained in the appropriate fixed capital accounts as part of the investment cost so long as the enterprise continues under the form in which it started.

These instructions should not be interpreted as permitting the addition to fixed capital accounts of arbitrary percentages to cover assumed overhead costs, but only as requiring the assignment or apportionment to particular accounts for tangible property of actual and necessary overhead expenditures.

3. **Fixed Capital to be Entered and Retained on Books at Cost.**—All charges to fixed capital accounts shall be at the actual cost of the property acquired, at the time of its acquisition. A *bona fide* contract or agreement of purchase and sale between entirely separate parties shall be *prima facie* evidence of actual cost. Each item of property shall be carried in the fixed capital accounts at no more, and no less, than its actual cost, unless, or until such property is abandoned, replaced, reconstructed, or converted, when the accounting shall be as hereinafter set forth. The foregoing shall not, however, be interpreted to forbid the inclusion in account No. 357 "Fixed Capital Not Classified by Prescribed Accounts" of undistributed book values which have been carried prior to the effective date of a prescribed uniform system of accounts, and which may or may not represent the actual cost of property in service; but the inclusion of such undistributed book values in fixed capital accounts shall be without prejudice to any future determination of the actual cost of the property. The term "cost" includes not only the cost of labor, material and supplies directly employed or consumed in the construction and installation of fixed capital, but also the cost of preliminary plans and surveys and such portion of the expenses for engineering and plant supervision and of general expenses as may be chargeable to the fixed capital accounts under an equitable plan for apportionment of such expenses.

4. **First Entries Must Enable Identification.**—Every debit or credit to a fixed capital or other investment account must be made in such wise as to be readily identified with the particular item of property to which it relates. For each item (or project) of fixed capital or other investment the records

shall show the date of the entry, the date of acquisition or installation, the date when placed in service, the actual money cost, and the description thereof with such particularity as to make possible the location and identification thereof (including, in case the item is movable, the name of the manufacturer and the identifying mark or number, if any, imprinted thereon, and such other particulars as may be necessary for identification). Where two or more items are acquired under a single undivided contract, the entry in respect of each shall refer to the others and shall state the entire consideration, and shall also state the portion thereof fairly applicable to the particular item covered by the entry. When any item of capital is withdrawn from service, the date of withdrawal shall be included in the withdrawal entry relating to such item.

NOTE A.—In the case of continuous structures like water mains, etc., the record shall be itemized to the extent that no item shall contain more than one operating division or section of more than one type of construction. The entry for any item shall so specify the location and the principal physical characteristics (such as size, weight, type, etc.) of the chief constituent parts of the item that identification may be assured.

NOTE B.—The date when an item of fixed capital is placed in service may, if preferred, be kept in the engineering records.

5. **Application of Classification.**—The accounts in this classification shall include all expenditures for fixed capital regardless of the way in which the funds for the construction or acquisition have been provided. Such expenditures shall not be charged to Operating Expense, Income, Surplus, or to special funds in such manner as to exclude from the property accounts any expenditure for fixed capital.

These accounts shall also include the necessary credits to represent the cost originally charged to them of property or equipment abandoned, destroyed, sold, or otherwise retired from service. Wherever the term *original cost* is referred to in this classification, and such cost can not be ascertained, an estimate of the original cost shall be used.

6. **Salvage and Insurance.**—Salvage, as the term is employed in this classification, means the value to the accounting company, based upon a fair market price, of equipment or other material recovered in the process of repairing, replacing, or abandoning plant and equipment; or the net amount received from its sale if the material is not retained by the accounting company. Salvage recovered in connection with a replacement or abandonment involving a deduction from fixed capital accounts shall be credited against the account to which the retirement loss is chargeable. Salvage recovered in connection with maintenance expenses not involving deductions from fixed capital accounts shall, so far as practicable, be credited to the appropriate maintenance accounts. Insurance recovered on property damaged or destroyed shall be treated in the same manner as salvage.

7. **Withdrawals or Retirements.**—To the end that the capital accounts shall at all times disclose the *cost* of all property in service, the cost of retired capital, *whether replaced or not,* must be deducted from (i. e., credited to) the account, or accounts, in this classification to which such cost is chargeable. Every water utility is therefore required to take such measures and establish such procedure as will insure strict compliance with these requirements. When anything is worn out, lost, sold, destroyed, abandoned, surrendered upon lapse of title, becomes permanently unserviceable or is withdrawn or retired from service for any other reason, the amount at which such thing stood charged in the capital account shall be credited to the appropriate capital account, and the entry of such credit shall cite by name and page of book or other record the original entry of cost of the thing retired. If there is no such original entry, that fact shall be stated in connection with the credit entry. If the amount originally charged (i. e., the ledger value) is not separately recorded, it shall be taken to be the proportionate share of said property in the value of the entire group in which the property is included. The entry shall state the fact of such estimation.

Credits for original cost of property retired should include such part of the overhead cost as is equitably assignable to the item retired.

When the cost of retired property is credited to the appropriate fixed capital accounts, it shall be concurrently charged (less any salvage or in-

surance that there may be on the retired property) to account No. 251, "Retirement Reserve," to the extent that the total balance in the reserve is sufficient to cover such loss; the remainder, if any, representing such part of the loss due to the retirement as has not been provided for in advance by the accumulation of a retirement reserve shall be charged to suspense account No. 132, "Property Abandoned," to be amortized in such manner as may be determined.

The cost of dismantling, tearing down, or removing any discarded plant or equipment shall be considered a part of the retirement loss and charged to the "Retirement Reserve" or to "Property Abandoned" in accordance with the provisions of the foregoing paragraph. When any replacement takes the form of reconstructing or converting existing property in such a way that the cost of the entire project cannot be accurately assigned as between the cost of putting in the new property, and the cost of taking out the old, no greater proportion of the cost of the project shall be charged to fixed capital accounts than would equal the cost of new plant or equipment having equivalent capacity and expectation of serviceable life. Such part of the cost of a reconstruction project as is not chargeable to fixed capital shall be considered a retirement loss and charged to the "Retirement Reserve" or to "Property Abandoned" as already provided.

The foregoing instructions do not apply to the retirement of those minor parts, the charge for replacing which are made directly to maintenance expense accounts.

NOTE A.—The foregoing rule shall not be applied to capital *temporarily* out of service.

NOTE B.—No receiver or other person temporarily in charge of an electrical corporation shall be relieved of the foregoing requirement through failure to obtain the records of the corporation. If, by reason of the absence of the corporate records, he is unable to make the proper credits to the capital accounts of the corporation for retirements, he shall open on his books the two historical accounts, "Cost of Property Retired During the Receivership" and "Loss on Property Retired During the Receivership," and credit to the former account the original cost in accordance with the foregoing requirement, concurrently charging the same amount (less salvage, if any) to the latter account.

8. **Improvements on Leased Property.**—The cost of additions to and betterments of leased property should be charged to a sub-account under the appropriate fixed capital account, and retirement losses in connection therewith treated in the same manner as on company-owned property. In case the full benefit of improvements will not be obtained by the lessee because of reversion to the lessor at the expiration of the lease, the cost of improvements may be charged to suspense and cleared by uniform charges to rent deductions within the period of the lease. Ordinary current repairs, including minor rearrangements and changes in connection with leased buildings, should be charged to the appropriate maintenance account. Expenditures charged to lessors or for which lessors are required under the lease-hold agreement to reimburse the lessee prior to the termination of the lease should not be charged to fixed capital accounts of the lessee.

9. **Salvage from Equipment, Tools, Etc.**—When the cost of any work equipment, machinery, tools, or materials and supplies obtained for use in construction work has been charged to accounts in this classification and the entire value thereof has not been consumed in the work, the residual value of such work equipment, machinery, tools, or materials and supplies shall be credited upon the completion of the work to the accounts to which originally charged, and concurrently charged to the material and supply account or other appropriate accounts.

10. **Sub-accounts for Departmental Capital.**—The fixed capital accounts should be so subdivided as to distinguish clearly between general capital and departmental capital. Sub-accounts for departmental capital should be so entitled and constructed as to enable the corporation to report in the detail indicated in the following classification the fixed capital devoted to each particular department or jointly to any specific group of departments.

## TEXT PERTAINING TO FIXED CAPITAL ACCOUNTS

NOTE.—If the accounting company operates two or more generating stations, separate sub-accounts should be maintained for the land, structures, and equipment pertaining to each such station.

### 301. ORGANIZATION.

This account shall include all fees paid to governments for the privilege of incorporation and all office and other expenditures incident to organizing the corporation or other enterprise and putting it into readiness to do business. This covers cost of preparing and distributing prospectuses, cost of soliciting subscriptions for stock (but not for loans or for the purchase of bonds or other evidence of indebtedness), cash fees paid to promoters and the actual cash value at the time of organization of securities paid to promoters for their services in organizing the enterprise, counsel fees, cost of preparing and issuing certificates of stock and cost of procuring certificates of necessity from state authorities and other like costs; also costs incident to preparing and filing certificates of authorization of increase of capital stock and to the negotiation and issue of stock thereunder, and of preparing and filing certificates of amendment of articles of incorporation. This account should not include any discount on stocks or other securities issued, nor should it include any costs incident to negotiating loans or selling bonds or other evidences of indebtedness.

NOTE.—Cost of preparing and filing papers in connection with the extension of the term of incorporation or with reincorporation consequent upon reorganization should be charged to account No. 931, "Law Expenses," or by companies in "Class C" or "Class D," to the account of which "Law Expenses" is a sub-division.

### 302. FRANCHISES.

This account shall include amounts actually paid to a state or to a political subdivision thereof in consideration of franchises running in perpetuity or for a specified term of more than one year and necessary to the conduct of the accounting company's operations. If any such franchise is acquired by a mesne assignment, the charge to this account in respect thereof should not exceed the amount actually paid therefor by the corporation to its assignor, nor should it exceed the amount specified above. Any excess of the amount actually paid by the corporation over the amount above specified should be charged to account No. 303, "Miscellaneous Intangible Capital."

### 303. MISCELLANEOUS INTANGIBLE CAPITAL.

This account shall include the cost of patent rights, licenses, privileges, and other intangible property not elsewhere provided for; and all other fixed capital charges which are not specifically assignable to some other account in this classification.

NOTE.—When any corporation desires to reclassify, according to the Uniform Classification of Accounts, the book accounts representing its investment in plant and equipment prior to the effective date of this classification, any remainder of the original total book value over the amount determined as properly chargeable to other prescribed accounts (including profit and loss or reserve accounts in cases where it is found that part of the original total book value is properly chargeable to such accounts) may be charged to "Miscellaneous Intangible Capital."

### 311. LAND.

This account shall include the cost to the utility of all lands used and useful in its water utility operations, embracing source of water supply lands, pumping station land, purification land, rights of way for transmission and distribution facilities, pipe lines, and ditches, where such rights

have lives in excess of one year from the date when such land is placed in service. Such cost includes, when assumed or paid by the purchaser in its own behalf, cost of registration of title, cost of examination of title, conveyancer's and notary's fees, purchasing agent's commission or fees, or proportion of purchasing agent's salary, taxes accrued to date of transfer of title, and all liens upon the title acquired; cost of obtaining consents and payments for abutting damages; also the first cost of acquiring leaseholds of land for rights of way with a life of more than one year, but not including the rents paid periodically in consideration of rights obtained under such leases.

This account also includes special assessments levied by public authorities on the basis of benefits for streets and other public improvements, such as new roads, new bridges, new sewers, new pavements, new curbing, etc., but not any taxes levied to provide for maintenance of such improvements.

The cost of buildings and other improvements should not be included in this account. If at the time of acquisition of an interest in lands it extends to buildings or other improvements thereon, which improvements are devoted by the accounting company to its water operations, and the contract of acquisition does not determine the price of such improvements, they should be appraised at their fair cash value for use in such operations, and such appraised value should be charged to the appropriate structures account, and excluded from this account. If such improvements are not devoted to water operations but are devoted to other operations or held as investments, the cost (or appraised value if the cost is not determined in the contract of acquisition) should be charged to the appropriate investment account or capital account for other operations. If the improvements are removed or wrecked, the cost of removing or wrecking them should be charged and the salvage credited to the land account.

Net proceeds from the sale of timber, cordwood, or other property purchased with rights of way or other lands should be credited to this account.

This account may be subdivided as follows, and so far as practicable, records of the cost of land devoted to water operations should be kept in the detail indicated. Land used both for general office and departmental purposes may be classed as "Miscellaneous."

a Source of supply land and water rights.
b Pumping station land.
c Purification land.
d Storage land.
e Transmission and distribution land and rights of way.
  e-1 Transmission land and rights of way.
  e-2 Distribution land and rights of way.
f. General office land.
g Miscellaneous land devoted to water operations.
  g-1 Stores department land.
  g-2 General shops land.
  g-3 Garage land, etc.

312. STRUCTURES.

This account shall include all permanent buildings and structures to house, support, or safeguard property or persons, with all appurtenant fixtures, improvements to land and other constructions.

Buildings shall include all fixtures attached to and forming a permanent part thereof, such as water pipes and fixtures, steam pipes and fixtures for heating and ventilating, gas pipes and fixtures for lighting, etc., electric wiring and fixtures for lighting, signaling, etc., elevators, cranes and hoists and the motive power for operating them, building refrigerating systems and furnaces, boilers, etc., specially provided for such systems, storage batteries and electric generators with their prime movers specially provided for building service, conduits, including cable conduits which form a part of the building, but not including conduits which would be removed with

their contents, and subways or areaways directly connected to and forming a part of the building. This account also includes cost of excavations, brick or concrete chimneys and such piers and foundations for machinery and apparatus as are designed to be as permanent as the buildings and independent of their use in connection with any particular units of equipment. Charge also the cost of architect's plans and of superintendence of construction.

Improvements to land include roadways, fences, sidewalks, sewer systems, water systems, yard lighting system, grading and landscape gardening, docks and water front improvements, railroad tracks, tramways and trestles, canals, bench marks, monuments, and any other permanent structures which are an improvement to the property.

This account may be subdivided as follows and so far as practicable records of the cost of structures devoted to water operations should be kept in the detail indicated. Structures used both for general offices and departmental purposes may be classed as "Miscellaneous."

NOTE.—The cost of specially provided foundations, not expected to outlast the machinery or apparatus mounted thereon, should be charged to the same account as is the cost of the machinery or apparatus for which they are provided.

a Source of water supply structures.
b Pumping station buildings and fixtures.
c Purification buildings and fixtures.
d Reservoirs and standpipes.
e Distribution structures.
f General office buildings and fixtures.
g Miscellaneous structures devoted to water operations.
  g-1 Stores department structures.
  g-2 General shop structures.
  g-3 Garage structures, etc.

## 313. BOILER PLANT EQUIPMENT.

This account shall include the cost installed of all furnaces, boilers, and boiler apparatus and accessories devoted to the production of steam for use in pumping water. This covers boilers and valves thereto attached, appurtenant furnaces and grates, and flues leading to smokestacks and chimneys, and the specially provided foundations and settings of such boilers and appurtenances; also metal smokestacks. It also covers mechanical stokers and other like apparatus for regulating the supply of fuel, etc., feed and hot water heaters and economizers, injectors, filters, feed pumps, blower engines, coal conveyors, ash conveyors, reservoirs for boiler or condenser water and intake and discharge water pipes and pipe lines and tunnels, air pipes and general service pipes, steam traps, drains and separators, and pipes for conducting steam from the boiler to the engine, exhaust pipes, etc. This account shall not include steam pipes whose primary purpose is the heating of buildings.

## 314. STEAM POWER PUMPING EQUIPMENT.

This account shall include the cost of all pumping equipment driven by steam power. This includes engines, turbines, pumps, condensers, vacuum pumps, and lubricating systems.

## 315. ELECTRIC POWER PUMPING EQUIPMENT.

This account shall include the cost of all pumping equipment driven by electric power, including electric prime movers, pumps, lubricating systems, switchboards and other electric apparatus.

## 316. GAS OR OIL POWER PUMPING EQUIPMENT.

This account shall include the cost of all pumping equipment driven by gas or oil power, including gas and gasoline or oil prime movers, igniting and starting apparatus, pumps, lubricating systems, etc.; it shall also include the cost of gas producers and accessories devoted to the production of

gas for purposes of operating gas engines. This includes producers, economizers, regenerators, vaporizers, steam injectors, scrubbers, exhausters, seals, especially provided boilers and pumps, flues, blower engines and accessory apparatus.

### 317. HYDRAULIC POWER PUMPING EQUIPMENT.

This account shall include the cost of the hydraulic power works and all equipment of the hydraulic power pumping station. This includes the cost of all dams, canals and flumes devoted to the production of hydraulic power and the delivery of water to the head gates of the water wheels and turbines. Also charge with the cost of waste-ways from the outlet of the draft tube to the point of final discharge, including the cost of all gates, valves and other accessories, sluices, forebays, etc., used in the development of the hydraulic power and all accessory canals and aqueducts. Charge also with the cost of all water wheels and turbines used in the pumping of water by hydraulic power including their foundations and settings, governors, and all apparatus appurtenant thereto from the head gates and governors to the wasteways. Charge this account also with the cost of all pumps at the station operated by hydraulic power.

NOTE.—Utilities desiring to do so may sub-divide this account as follows:

a Hydraulic power works.
b Water wheels and turbines.
c Pumps and pumping equipment.
d Hydraulic power pumping station auxiliary equipment.

### 318. MISCELLANEOUS PUMPING EQUIPMENT.

This account shall include the cost of all miscellaneous pumping equipment not includible in the preceding accounts; this includes horses, wagons, harness, automobiles, motorcycles, bicycles, furniture and fixtures (when not a permanent part of buildings, etc.) used in and about the pumping station.

### 319. PURIFICATION SYSTEM.

This account shall include the cost of all apparatus and equipment used for purification of water. This includes settling basins, filter beds, mechanical filters, and all auxiliary apparatus for purifying water.

### 320. TRANSMISSION MAINS OR CANALS.

This account shall include the cost of all transmission mains, either pipes or canals, used for delivering water from the pumping station, impounding reservoir or other source of supply to the distribution reservoirs or mains; this includes the cost of all trenching for pipes or canals, placing transmission main pipe, special castings, lead packing, shut-offs, manholes, valves and the cost of filling trenches, and restoring the surface of the street to its former condition as required by the municipal authorities, canal excavation, checks, drops, bridges, spillways and miscellaneous canal structures.

NOTE A.—Transmission main, as distinguished from distribution main, is used for conveying water to the distribution storage reservoirs, tanks, or standpipe, and has no direct service connection with consumers; mains having such connections will be classed as distribution mains, or (if the distance between the source of supply and the first direct service connection with consumers is considerable) the portion between the source of supply and the first direct service connection with consumers will be classed as transmission main.

NOTE B.—On an irrigation system, the transmission is the main canal from which the laterals are supplied.

### 321. DISTRIBUTION MAINS OR CANALS.

This account shall include the cost of all distribution mains either pipes or canals in place. This includes all mains or canals used in the distribution of water to the beginning of the service connections, including the cost of trenching, placing distribution main pipe, special work and castings, lead packing, shut-offs, manholes, valves and the filling of trenches and restoring the surface of the street to its former condition as required by the

municipal authorities; also excavations, checks, spillways, bridges, waterways, main lateral headgates, and all structures in lateral canals.

NOTE.—A distribution main begins at the outlet valve of the pump, when such main has direct service connections with consumers at a relatively short distance from the pumping station. If water is pumped into a storage reservoir, tank or standpipe through a main having no direct service connections with consumers, such main will be classed as transmission, and the distribution main will begin at the outlet valve of such storage reservoir, tank or standpipe.

322. SERVICES.

This account shall include the cost of services in or leading to the consumers' premises. This includes the cost of material in place, the cost of trenching for placing services, service pipe, service boxes, stopcocks, etc., and the cost of filling the trenches and restoring the surface to its proper condition.

323. CONSUMERS' METERS.

This account shall include the cost of all meters, measuring devices, weirs, etc., used or to be used in measuring or determining the quantity of water delivered to consumers. This covers, in addition to cost of meters to point of delivery on the accounting company's premises, such incidentals as the cost of meter badges and their attachment to the meters, testing and storing new meters, and the first set of meter fittings, connections, and shelves.

NOTE A.—The cost of setting, removing, or resetting consumers meters shall not be charged to this account.

NOTE B.—This account may, if desired, include the cost of all meters whether carried in stock or actually in service, provided the designation of the account on the ledger indicates the practice of the accounting company, as, for example, by the addition of the phrase "(includes meters in stock)".

324. METER INSTALLATION.

This account shall include the cost of the first setting of meters for determining the amount of water delivered upon the premises of consumers. When any meter service is permanently discontinued this account shall be credited with an amount representing the average installation cost of a consumer's meter.

NOTE.—Cost of removing consumers' meters and of setting other meters substituted for them, shall not be charged to this account, but to account 806, "Removing and Resetting Meters."

325. HYDRANTS.

This account shall include the cost of water utility's property in all hydrants placed in the distribution system. This includes the cost of all material in place, the cost of trenching for placing hydrants, hydrant connections, etc., and the cost of filling trenches and restoring the surface to its proper condition.

326. FIRE CISTERNS, BASINS, FOUNTAINS AND TROUGHS.

This account shall include the cost of the utility's property in all fire cisterns, basins, fountains and troughs. This includes the cost of all masonry and concrete work in connection with the construction of any cisterns and basins and all foundations and settings for fountains and troughs, together with the cost of all materials used in construction, and digging and trenching in connection therewith, and restoring the pavement to its original condition or that required by municipal ordinances.

327. GENERAL EQUIPMENT.

This account shall include the cost installed of all equipment coming under the following heads:

a. OFFICE EQUIPMENT.—This includes the cost of all office and service equipment not permanently attached to building, such as desks, chairs, tables, movable safes, filing cabinets, drafting room equipment, typewriters, adding machines, addressographs, portable lamps, lockers, clocks, fans, chronograph systems, pneumatic tube systems, lunch room equipment, doctor's equipment, pulmotors, mechanical office appliances, floor coverings and other like office appliances and equipment. Small articles of slight value or of short life should not be charged to this account but to the appropriate operating account.

b. SHOP EQUIPMENT.—This includes the cost of all equipment specially provided for shops (but not so permanently attached as to be properly chargeable to account No. 312, "Structures," such as furnaces, boilers, gas producers, engines, electric generators, and other power apparatus operating machinery in such shops; machine tools, frames, hoists, shafting, belts, and like shop equipment; also such smithing equipment in shops as is used principally for other general purposes than shoeing horses and repairing vehicles; and all specially provided foundations not expected to outlast the machinery or apparatus mounted thereon.

c. STORES EQUIPMENT.—This includes the cost of all equipment for the receiving, shipping, handling and storage of materials and supplies. This covers loading and unloading equipment (except cranes when they are of such a nature as to be charged to buildings); derricks, portable cranes, hoists, chain falls, scales, trucks, counters, shelving, wheel-barrows, and the like.

d. TRANSPORTATION EQUIPMENT.—This includes the cost of equipment for general transportation purposes such as automobiles, motor trucks, trailers, tractors, motorcycles and other vehicles, battery charging outfits, gasoline and oil storage tanks and pumps and other equipment; horses, harness, drays and wagons; equipment for shoeing horses, and equipment for harness repair shop, vehicle repair shop, and automobile repair shop, if this equipment is devoted exclusively to these purposes.

e. TELEPHONE, TELEGRAPH AND WIRELESS SYSTEM.—This includes the cost of all telephone, telegraph and wireless lines and equipment for general use in connection with water operations, including poles and fixtures used exclusively for telephone and telegraph wires; wires, cables, telephone booths, instruments, switchboards, gongs, dynamoters, towers, antennae, etc.

f. GENERAL LABORATORY EQUIPMENT.—This includes the cost of all meter and other testing apparatus and laboratory equipment not elsewhere provided for.

g. MISCELLANEOUS EQUIPMENT.—This includes any other miscellaneous equipment not elsewhere provided for, such as construction equipment, including boilers, engines, motors, hoists, concrete mixers and distributing apparatus, pumps, air compressors, riveters, lathes, power saws, pipe machine, forges, steam hammers, pile-drivers, steam shovels, lighters, industrial track and cars, etc.; and any equipment of a permanent nature which can not be properly charged to any of the foregoing accounts.

NOTE A.—The cost of small portable tools and implements, such as hammers, saws, wrenches, files, jacks, wire cutters, climbing irons, etc., shall not be charged to this account. Such items shall be carried in account No. 115, "Materials and Supplies," until issued for use when "Materials and Supplies" shall be credited and the appropriate work order or other account charged with the cost of tools or implements so issued. The cost of maintaining tools and implements shall be charged to the expense of the department to which they are assigned.

NOTE B.—So far as practicable separate sub-accounts shall be maintained for the equipment of each individual water plant, office building, shop, garage, etc.

328. MISCELLANEOUS TANGIBLE CAPITAL.

This account shall include the cost of all tangible water capital not elsewhere provided for.

351. ENGINEERING AND SUPERINTENDENCE.

This account shall include all expenditures for services of engineers, draftsmen, and superintendents employed on preliminary and construction

work, and all expenses incident to the work when such disbursements can not be assigned to a particular tangible capital account.

NOTE A.—When any of the expenses designated can be charged direct to the primary account for which incurred, they shall be so charged. But no charges shall be made to permanent investment accounts for incidental services or engineering performed by the regular employees and officers of the accounting company unless they have been specially assigned to such work.

NOTE B.—Expenditures for tentative or preliminary designs or experiments shall be carried in a suspense account until it is determined whether or not to undertake the construction. If the project is continued, such expenditures shall then be transferred to the appropriate fixed capital account; and if it is abandoned, they shall be charged to operating expense, income or profit and loss accounts as may be appropriate.

352. LAW EXPENDITURES DURING CONSTRUCTION.

This account shall include general expenditures of the following nature incurred in connection with the construction of a water plant, namely, the pay and expense of all counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; printing briefs, legal forms, testimony, reports, etc.; payments to arbitrators for the settlement of disputed questions; cost of suit and payments of special fees, notarial fees, and witness fees and expenses connected with taking depositions; also all legal and court expenses.

When any of the expenditures above enumerated can be charged directly to the account for which incurred, they should be so charged and not to this account. Expenditures in connection with the acquisition of right of way or other land should be charged to account No. 311, "Land." Law expenditures in connection with the organization of the corporation should be charged to account No. 301, "Organization." (See "Fixed Capital Accounts —General Instructions and Definitions," Section 2, page 30.)

353. INJURIES AND DAMAGES DURING CONSTRUCTION.

This account shall include all expenditures incident to injuries to persons or damages to property of others when caused directly in connection with construction of a water plant and equipment. This covers fees and proportion of salaries and expenses of physicians and surgeons; compensation insurance, nursing and hospital attendance; medical and surgical supplies, artificial limbs, railroad and carriage fares for conveying injured persons and attendants; funeral expenses (including payment to undertakers); proportion of pay and expenses of claim adjusters and their clerks, and pay and expenses of employees and others called in consultation in relation to the adjustment of claims coming under this head; also witness fees, court costs and amount of final judgments.

When any of the expenditures above enumerated can be charged directly to the account for which incurred, they should be so charged, and not in this account. (See "Fixed Capital Accounts—General Instructions and Definitions," Section 2, page 30.)

354. TAXES DURING CONSTRUCTION.

This account shall include all taxes and assessments levied and paid or chargeable on property belonging to the accounting company while such property is under construction, and before the plant is opened for commercial operation, except special taxes assessed for street and other improvements, such as grading, sewering, curbing, guttering, paving, sidewalk, etc., which should be charged to the account to which the property benefited is charged.

Whenever any of the expenditures above enumerated can be charged directly to the account for which incurred, they should be so charged and not to this account. (See "Fixed Capital Accounts—General Instructions and Definitions," Section 2. page 30.)

355. INTEREST DURING CONSTRUCTION.

When any bonds, notes, or other evidences of indebtedness are sold, or any interest bearing debt is incurred, for acquisition or construction of plant and equipment, the interest accruing on the part of the debt representing cost of property chargeable to fixed capital accounts (less interest, if any, allowed on unexpended balances) after such fund becomes available for use and before the receipt or the completion or coming into service of the property so acquired shall be included in this account.

When such securities are sold at a premium, the proportion of such premium assignable to the time between date of the actual issuance of the securities and the time when the property acquired or the improvement made becomes available for service shall be credited to this account.

This account shall include also such proportion of the discount and expense on long term debt issued for construction purposes as is equitably assigned to the period between the date of the actual issuance of the securities and the time when the property acquired or the improvement made becomes available for the service for which it is intended. The proportion of discount and expense thus chargeable shall be determined by the ratio between the period prior to the completion or coming into service of the facilities or improvements acquired or constructed and the period of the entire life of the securities issued.

This account shall also include reasonable charges for interest during the construction period on the accounting company's own funds used temporarily during such period for construction purposes.

Whenever any of the expenditures above enumerated can be charged directly to the account for which incurred, they should be so charged and not to this account. (See "Fixed Capital Accounts---General Instructions and Definitions," Section 2, page 30.)

NOTE A.—If any securities issued or assumed by the accounting company are sold or exchanged by or for that company for a consideration the actual money value of which at the time of such sale or exchange is less than the value of the securities at par and the accrued interest thereon, if any, the difference between the money value of the consideration received and the par value of the securities, plus the accrued interest, shall be deemed discount, and in no case (except as provided in the third paragraph of this account) shall discount be included as part of the cost of anything charged in any fixed capital or investment account prescribed in this classification.

356. MISCELLANEOUS CONSTRUCTION EXPENDITURES.

This account shall include the salaries and expenses of the general officers of a water plant under construction, clerks in general offices engaged on construction accounts or work; rent and repair of general offices when rented, with the office expenses; insurance during construction (except workmen's compensation, the cost of which is chargeable to account No. 353, "Injuries and Damages during Construction"); also all construction and equipment items of a special and incidental nature which can not properly be charged to any other account in this classification.

To this account shall be credited discounts realized through prompt payment of bills for materials and supplies used in construction unless such discounts are credited to the particular bills.

When any of the expenditures above enumerated can be charged directly to the account for which incurred, they should be so charged and not to this account. (See "Fixed Capital Accounts—General Instructions and Definitions," Section 2, page 30.)

NOTE A.—This account may include a suitable proportion of store expenses when such expenses are not assignable to specific materials.

NOTE B.—This account should not include any cost of organization or any costs or discounts connected with the issue and disposal of stocks, long term debt, or other securities and commercial paper.

357. FIXED CAPITAL NOT CLASSIFIED BY PRESCRIBED ACCOUNTS.

Under this head shall be grouped the balances in accounts representing the accounting company's investment in fixed capital prior to the time when it began to follow the classification of fixed capital accounts herein prescribed.

## 358. COST OF PLANT AND EQUIPMENT PURCHASED.

This account shall include the cost to the accounting company of any plant purchased as a whole when such cost is not immediately assignable to primary fixed capital accounts. Where the contract of purchase includes not only plant and equipment, but also securities and other assets, the appraised value of such securities and other assets shall be deducted from the total cash cost and the remainder of the cash cost shall be charged to this account. Where the consideration given for the property purchased is other than cash, such consideration shall be valued on a current cash basis. If the consideration includes the assumption of liabilities, such liabilities shall be included in the determination of the cost at their cash value at the time the contract is made.

This account shall be used only as a clearing account in which temporarily to carry the cost of plant and equipment purchased for a lump sum until such time as a plan for distributing such cost to the primary accounts appropriate to the property is approved by the regulatory commission.

NOTE A.—The value at the time of purchase of any securities or other assets acquired shall be included in the accounts appropriate for such assets. The par value of any liability assumed shall be included in the appropriate liability accounts and any necessary adjustment between the cash charged to the property accounts and par value shall be made in the appropriate premium or discount account.

NOTE B.—The accounting company should procure in connection with the acquisition of any plant and equipment all existing records, memoranda and accounts in possession or control of the grantor relating to the construction and improvements of such plant and equipment, and preserve such records, memoranda and accounts. Where the records, memoranda and accounts are so intimately involved with other records, memoranda and accounts of the grantor as to make their transfer impracticable or inadvisable, certified copies of them should be procured by the grantee.

## 359. UNFINISHED CONSTRUCTION.

This account shall include the balances in open work orders representing additions to plant and equipment when the charges to such work orders have not been distributed to the foregoing fixed capital accounts.

NOTE.—This account is intended to include only charges for new construction not involving any replacement. If, however, at the beginning of a job involving the replacement or retirement of any fixed capital the accounting company shall make full credits therefor to the appropriate fixed capital accounts, the cost of installing new property in substitution or replacement may be carried in the fixed capital account "Unfinished Construction."

## STANDARD FORM OF INCOME ACCOUNT

*Income from Operating Properties*:

| Account | | | |
|---|---|---|---|
| 401 | Operating revenues | *** | $ |
| 402 | Operating expenses | $ | *** |
| 403 | Uncollectible bills | | *** |
| 404 | Taxes | | *** |
| | Total revenue deductions | *** | |
| | Operating income (applicable to corporate and leased properties) | *** | $ |
| 411 | Rent for lease of other water plant | $ | *** |
| 412 | Amortization of limited term land rights | | *** |
| | Total (items 411 and 412) | $ | *** |
| 413 | Rent accrued from lease of water plant—Cr. | | *** |
| | Net rent deduction (credit balance in red) | *** | |
| | Net operating income (applicable to corporate property) | *** | $ |

*Income from Non-operating Properties*:

| | | | |
|---|---|---|---|
| 421 | Miscellaneous rent revenues | $ | *** |
| 422 | Interest on long term debt owned | | *** |
| 423 | Miscellaneous interest revenues | | *** |
| 424 | Dividend revenues | | *** |
| 425 | Income from special funds | | *** |
| 426 | Miscellaneous non-operating revenues | | *** |
| | Total (items 421 to 426 inclusive) | $ | *** |
| 427 | Non-operating revenue deductions | | *** |
| | Total non-operating income | *** | |
| | Gross corporate income (Sum of net operating income and non-operating income) | *** | $ |

*Deductions from Gross Corporate Income*:

| | | | |
|---|---|---|---|
| 431 | Interest on long term debt | $ | *** |
| 432 | Miscellaneous interest deductions | | *** |
| 433 | Amortization of debt discount and expense | | *** |
| 434 | Amortization of premium on debt—Cr. | | *** |
| 435 | Miscellaneous amortization chargeable to income | | *** |
| 436 | Miscellaneous deductions from gross corporate income | | *** |
| | Total deductions from gross corporate income | *** | |
| | Net income (loss in red) | *** | $ |

*Disposition of Net Income*:

| | | | |
|---|---|---|---|
| 441 | Sinking fund appropriations | $ | *** |
| 442 | Dividend appropriations of income | | *** |
| 443 | Miscellaneous appropriations of net income | | *** |
| | Total appropriations of net income | *** | |
| | Balance transferred to profit and loss | *** | $ |

# INCOME ACCOUNTS

## GENERAL INSTRUCTIONS AND DEFINITIONS.

1. **Income Accounts Defined.**—The income accounts are those that show the sources and disposition of income during a given period. Any change in the items shown on a balance sheet at the end of such a period as compared with a balance sheet at the beginning of the period, which is not merely a transfer from one balance sheet account to another, that is to say, any transaction which affects the profit and loss balance must be explained by the income accounts or by the profit and loss accounts. A summary statement of income accounts arranged in convenient form to show the accounting history of a given period is usually called collectively the "Income Account." Income accounts whose title and definition plainly indicate that they are summaries of other accounts are not required to be set up as special ledger accounts, though it may often be a matter of bookkeeping convenience to do so.

2. **Form of Income Account.**—The form in which the income account is stated is determined by considerations of convenience and clarity. The standard form adopted for the purpose of this classification is shown on page 46. In this form of statement there are certain terms used to indicate divisions of the net income account which require special definition, given in the following paragraphs.

3. **Revenues.**—The word revenues as used herein means all amounts of money which the accounting company receives or becomes lawfully entitled to recover for services rendered, for products sold, as profits on merchandise sold, or as a return upon its property (or interests in property). Revenues are classified as *operating revenues* and *non-operating revenues.*

4. **Operating Revenues.**—Operating revenues are those derived from the sale of products and merchandise, from services rendered, from return on property used by the corporation in its own operations, and from interest on current funds.

5. **Non-operating Revenues.**—Non-operating revenues are those derived as a return upon the property of the accounting company in the hands of others or from its interest in property in the hands of others. They may be sub-classified as rents, interest, dividends, and miscellaneous.

6. **Revenue Deductions.**—Revenue deductions include expenses, taxes, and uncollectible bills.

7. **Expenses.**—Expenses are those outgoes (including losses due to the retirement of capital) necessary to the production and distribution of the commodities sold, and the services rendered, and to the collection of the revenues. They are divided into operating expenses, and non-operating expenses.

8. **Taxes.**—Taxes are those annual or other payments exacted by governments for the purpose of raising funds for public uses.

9. **Uncollectible Bills.**—When a public utility is engaged regularly in rendering to general consumers a service, or in supplying to such consumers a commodity, current accounts or claims against such consumers for such services rendered or commodity supplied which are incapable of collection by the exercise of reasonable diligence are included under the name *Uncollectible Bills.*

10. **Income.**—Income is what is left after subtracting revenue deductions from revenue. *Income from operating properties* is income derived from the operation, or as a compensation for the use, of properties devoted to the undertakings for which the accounting company is organized. *Income from non-operating properties* is income derived from properties not devoted to the undertakings for which the accounting company is organized; also from properties not belonging to the accounting company, but in which it has an interest through ownership of stocks, bonds, or otherwise. *Operating income applicable to corporate and leased properties* is that income arising from any class of operations which is available to pay a return in one form or another upon capital employed in that class of operations. *Income applicable to corporate property* is that income which is available to pay a return in one form or another on capital owned by the accounting company. It is the operating income applicable to corporate and leased properties less rentals for the use of capital not owned. *Gross corporate income* is that income applicable to corporate properties, that is, gross income less rentals for capital not owned. *Net income* is that amount left after all contractual or compulsory deductions have been made from gross income except such sinking fund accruals as are required to be temporarily reserved.

11. **Rents.**—Rents are payments for the use of property employed in the business but not owned by the accounting company. The standard form of income statement established by this system of accounts provides, therefore, for deducting from gross income, rentals paid for the use of property not owned, in order that the income available for a return upon that part of the capital invested in the enterprise by the accounting company may clearly appear. Minor rents, however, such as rents for land, buildings and comparatively small portions of plant and equipment (not constituting a distinct operating unit) used for departmental purposes are more suitably, for administrative purposes, charged directly to one of the divisions of the operating expense schedules and suitable treatment of such expenditures is provided for in the operating expense accounts.

12. **Delayed Income Items.**—Delayed items are those representing transactions which occurred prior to the period covered by the income account, but which were not recorded currently. Such items may be charged or credited to the appropriate income account for the fiscal period in which the transactions are actually recorded. If, however, the amount of such items is relatively so large that its inclusion in the income account for a single year would result in a seriously abnormal income statement and no provision has been made through accruals to reserves or suspense accounts for anticipating such transactions, the accounting company may distribute the amount, or any part thereof, to Profit and Loss.

## TEXT PERTAINING TO INCOME ACCOUNTS

### 401. OPERATING REVENUES.

Under this head shall be shown the total revenues of the accounting company from water operations during the period covered by the income account. (For the primary operating revenue accounts see pages 53 to 56.)

### 402. OPERATING EXPENSES.

Under this head shall be shown the total expenses of the accounting company for water operations during the period covered by the income account. (For the primary operating expense accounts see pages 57 to 82.)

### 403. UNCOLLECTIBLE BILLS.

This account shall include charges for accounts due from consumers or customers which, after a reasonably diligent effort to collect, have proved impracticable of collection. If accounts which have been so written off are afterwards collected, the amount received should be credited to this account.

NOTE A.—Charges to this account may be made on the basis of the estimated average loss due to uncollectible accounts in which case the concurrent credit shall be to a special account under balance sheet account No. 257, "Miscellaneous Reserves." To the reserve thus established shall be charged such accounts as are determined to be uncollectible. When charges for uncollectible accounts are thus made by estimate, the estimate shall be adjusted at the end of each fiscal year to conform to the experience of the accounting company as determined by analysis of its accounts receivable.

### 404. TAXES.

This account shall include the amount of taxes applicable to the water operations of the accounting company during the period for which the income account is stated.

Separate account shall be kept of the taxes applicable to water operations and to operations other than water as well as to non-operating revenues, if the accounting company has such other operations or non-operating revenues. When taxes are levied on property used in two or more different classes of operations in such a way that the amount applicable to each class is not definitely stated, the total amount of the levy shall be apportioned by the accounting company on some fair basis between the two or more classes of operations.

The tax accounts shall be charged at regular accounting intervals and the "Tax Liability Account" (see note under account No. 231, "Taxes Accrued") concurrently credited with the period's proportion of taxes applicable to the operations covered by each account. If the exact amounts of the annual taxes are not known, they shall be estimated and a proper share of the estimated amounts shall be charged for each accounting period. From time to time during the year as the actual tax levies become known the periodic charges shall be adjusted so as to include as nearly as possible the total amount of the taxes in the period to which they apply.

NOTE A.—Taxes on property leased shall be charged to the appropriate tax account by the party which under the terms of the lease contract actually pays such taxes. If by the provisions of the lease the party actually paying the taxes is reimbursed by the other party to the lease, the amount of such reimbursement shall when the taxes are paid in the first instance by the lessor, be credited to the appropriate rent revenue account of the lessor and charged by the lessee to the appropriate rent deduction account; when the taxes are paid in the first instance by the lessee, the amount of the reimbursement shall be credited to the appropriate rent deduction account of the lessee and charged by the lessor to the appropriate rent revenue account.

NOTE B.—The tax accounts must not include any fees or charges sometimes called taxes, such as water taxes, drainage taxes, or fire taxes, which are payments for some specific service rendered by the government.

411. RENT FOR LEASE OF OTHER WATER PLANT.

This account shall include all amounts accrued against the accounting company for rent of any water plant constituting a distinct operating unit, such as a production plant or distribution system, under a lease giving exclusive possession to the lessee.

412. AMORTIZATION OF LIMITED TERM LAND RIGHTS.

When the right to use land for a limited term has been acquired under a contract by which the consideration is a single immediate payment instead of a series of periodic rentals during the term for which the land is transferred, this account shall include an amount sufficient to cover the portion of the life of such limited interest in land as has expired during the accounting period. The amount charged to this account shall be concurrently credited to the fixed capital account to which the cost of acquiring such an interest in land was originally charged.

413. RENT ACCRUED FROM LEASE OF WATER PLANT—CR.

This account shall include all amounts accruing to the accounting company as rental for its water plant or any part thereof constituting a distinct operating unit, such as a production plant or distribution system, under a lease giving exclusive possession to the lessee .

NOTE.—Rentals received for the use of comparatively small portions of plant or equipment, not constituting a distinct operating unit, the cost of which is carried in water fixed capital accounts and the cost of maintaining which is ordinarily borne by the owner, shall not be credited to this account but to operating revenues account No. 613, "Rent from property used in operation," even though the lessee has exclusive possession.

421. MISCELLANEOUS RENT REVENUES.

This account shall include all rent revenues accruing to the accounting company from properties not devoted to the undertakings for which it is organized. This covers such revenues as rentals from real estate not used in operations.

422. INTEREST ON LONG TERM DEBT OWNED.

This account shall include interest accruing to the accounting company upon securities of other companies and national, state, or municipal governments. Interest accrued shall not be credited to this account unless its payment is reasonably assured; in other cases credits to this account shall be based upon the interest actually collected.

NOTE A.—No interest upon reacquired securities issued or assumed by the accounting company shall be credited to this account.

NOTE B.—Interest accrued on securities of other companies held in sinking or other special funds shall not be credited to this account, but to account No. 425, "Income from Special Funds."

423. MISCELLANEOUS INTEREST REVENUES.

This account shall include interest accrued to the accounting company on loans, notes, and advances, special deposits, and all other interest bearing assets except funded securities and current funds employed primarily in the conduct of the business for which the accounting company is organized. Interest accrued shall not be credited to this account unless its payment is reasonably assured; in other cases credits to this account shall be based upon the interest actually collected.

424. DIVIDEND REVENUES.

This account shall include revenues derived by the accounting company from dividends on stocks of other companies held by it. Accruals of guar-

anteed dividends may be included in this account if their payment is reasonably assured.

NOTE A.—No dividends on reacquired securities issued or assumed by the accounting company shall be credited to this account.

NOTE B.—Dividend revenues from securities of other companies held in sinking or other special funds shall not be credited to this account, but to account No. 425, "Income from Special Funds."

425. INCOME FROM SPECIAL FUNDS.

This account shall include income (whether interest or dividends), accrued on cash, securities (not issued or assumed by the accounting company), and other assets held in sinking and other special funds.

NOTE.—This account covers all income from investments of special funds, whether required to be retained in the fund or not. If such income is required to be retained in the fund and the fund required to be represented by a reserve, the amount of such accretions to the fund shall be concurrently credited to the appropriate reserve account and charged to account No. 441, "Sinking Fund Appropriations," or account No. 443, "Miscellaneous Appropriations of Net Income," as may be appropriate.

426. MISCELLANEOUS NON-OPERATING REVENUES.

This account shall include all revenues accruing to the accounting company in accordance with the terms of any contract by which the company is entitled to participate in the profits resulting from the operations of others and all other non-operating revenues not provided for in any of the foregoing accounts.

NOTE.—"Profits from the Operation of Others" does not include any dividends on stock. Revenues from dividends should be credited to account No. 424, "Dividend Revenues."

427. NON-OPERATING REVENUE DEDUCTIONS.

This account shall include all expenditures necessary to receiving or collecting non-operating revenues as listed under the following sub-heads. If desired, each sub-head may be made a separate ledger account.

(a) RENT EXPENSE.—This covers all expenses arising in connection with the procuring of revenues from rented properties which are properly credited to account No. 421, "Miscellaneous Rent Revenues," such as the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collectors' commissions, cost of enforcing payment of rent, cost of ousting tenants, etc. This includes expense while the property is idle awaiting occupant; also cost of maintenance of property when such cost is borne by the owner. Such maintenance does not include taxes.

(b) INTEREST EXPENSE.—This covers all expenses in connection with the collection of interest upon investments. It does not include taxes on such investments.

(c) DIVIDEND EXPENSES.—This covers all expenses in connection with the collection of dividends on stocks of other corporations; also all expenses incurred, as in the investigation of the affairs of the corporations whose stocks are held, whether for the purpose of detecting mismanagement, or for the purpose of inducing the declaration of dividends; and all expenses connected with enforcing payments of dividends when declared.

(d) MISCELLANEOUS NON-OPERATING EXPENSE.—This covers the cost of negotiating contracts by which the accounting company is entitled to share in profits from the operation of others, and all expenses of collecting the accounting company's proportion of such profits and all expenses of procuring the modification or dissolution of any such contract; also all other non-operating expenses (as expenses are defined under "Income Accounts —General Instructions and Definitions," Section 7, page 43) which are not provided for under the foregoing sub-heads.

(e) NON-OPERATING TAXES.—This covers all taxes accruing upon non-operating property, revenue from which is properly credited to accounts Nos. 422 to 426, inclusive, and all other taxes not upon property but assignable to non-operating revenues.

(f) UNCOLLECTIBLE NON-OPERATING REVENUES.—This covers any non-operating revenues judged by the accounting company to be uncollectible.

431. INTEREST ON LONG TERM DEBT.

This account shall include all interest accrued on outstanding long term debt issued or assumed by the accounting company, the liability for which is included under balance sheet account No. 211, "Long Term Debt"; also interest accrued on debenture stocks and on receiver's certificates which mature more than one year after date of issue. This account does not include interest on securities held by the accounting company in its treasury, in sinking or other special funds, or pledged as collateral.

NOTE A.—The amount charged to this account shall be concurrently credited to account No. 232, "Interest Accrued," to which account shall be debited payments made on account of interest.

NOTE B.—If any securities issued or assumed by the accounting company are held in sinking or other special fund, the interest on such securities shall not be charged to this account.

432. MISCELLANEOUS INTEREST DEDUCTIONS.

This account shall include interest on all short-term obligations of the accounting company such as notes or loans for terms of less than one year, unpaid taxes, consumers' deposits, or other accounts payable, etc. It shall also include interest on advances from affiliated companies (see balance sheet account No. 241, "Advances from Affiliated Companies"); and interest on receiver's certificates which mature in one year or less after date of issue.

433. AMORTIZATION OF DEBT DISCOUNT AND EXPENSE.

This account shall include for any fiscal period that proportion of the unamortized discount and expense on outstanding debt which is applicable to the period. This proportion shall be determined according to a rule the uniform application of which during the interval between the issue and maturity of any debt, will completely amortize or wipe out the discount at which such debt was issued and the debt expense connected therewith, less such portion thereof as may have been properly charged to fixed capital account "Interest During Construction."

434. AMORTIZATION OF PREMIUM ON DEBT—CR.

This account shall include for any fiscal period the proportion of the premium at which outstanding debt was issued which was applicable to the period. This proportion shall be determined according to a rule the uniform application of which during the interval between the issue and the maturity of any debt will completely amortize or wipe out the premium at which such debt was issued, less such portion thereof as may have been properly credited to fixed capital account "Interest During Construction."

435. MISCELLANEOUS AMORTIZATION CHARGEABLE TO INCOME.

This account shall include such amounts as the accounting company may be required to charge to income in amortization of intangible book value or other items carried among its assets.

436. MISCELLANEOUS DEDUCTIONS FROM GROSS CORPORATE INCOME.

This account shall include all contractual deductions from gross corporate income not provided for in any of the foregoing accounts. This covers unsecured accruals of obligations arising under contracts whereby the accounting company has guaranteed the *annual or more frequent periodic* payment of money or performance of other obligations on the part of another corporation or person and because of the default of such other corporation or person the liability of the accounting company has become actual; losses resulting from the operations of others whenever in accordance with the terms of any contract the accounting company is bound to contribute toward reimbursement of such losses; and income taxes levied upon bondholders and assumed by the accounting company.

441. SINKING FUND APPROPRIATIONS.

This account shall include such amounts as are required by mortgage provision or otherwise to be charged to income for the purpose of retiring or reducing the bonded or other obligations of the accounting company. It shall also include such accretions from the investments of funds specifically set aside for the above described purpose as are required to be added to a sinking fund reserve (see also account No. 425, "Income from Special Funds").

442. DIVIDEND APPROPRIATIONS OF INCOME.

This account shall include amounts declared payable as dividends out of the income for the period for which the income account is stated on actually outstanding capital stock issued or assumed by the accounting company.

This account shall be subdivided so as to show separately the dividends on the various classes of capital stock.

If the dividend is not payable in cash, the consideration shall be described in the entry with sufficient particularity to identify it.

NOTE.—This account shall not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in the treasury, in special deposits, in sinking or other reserve funds, or pledged as collateral.

443. MISCELLANEOUS APPROPRIATIONS OF NET INCOME.

This account shall include all appropriations of net income not provided for in the three preceding accounts. This covers appropriations of income to special fund reserves (see account No. 425, "Income from Special Funds").

## STANDARD FORM OF PROFIT AND LOSS ACCOUNT

| | | Dr. | Cr. |
|---|---|---|---|
| | Balance at beginning of the fiscal period | | |
| | Balance transferred from income account | | |
| 501. | Dividend appropriations of surplus | | *** |
| 502. | Appropriations to reserves | | *** |
| 503. | Miscellaneous credits to Profit and Loss | *** | |
| 504. | Miscellaneous debits to Profit and Loss | | *** |
| | Balance at the end of the fiscal period | | |

# PROFIT AND LOSS ACCOUNTS

## GENERAL INSTRUCTIONS AND DEFINITIONS

1. **Profit and Loss Account Defined.**—The Profit and Loss account is the collective title for a small group of accounts which form the connecting link between the income account and the balance sheet. Its principal function is to explain changes in the corporate surplus or deficit during a given fiscal period as affected, first by the net result of all the transactions reported in the income account; second, by appropriations of surplus for specific purposes made at the option of the accounting company; and third, by special and unusual transactions or adjustments such as are not regularly recorded in the income account.

2. **Delayed Income Items.**—Delayed items are those representing transactions which occurred prior to the period covered by the income account, but which were not recorded currently. Such items may be charged or credited to the appropriate income account for the fiscal period in which the transactions are actually recorded. If, however, the amount of such items is relatively so large that its inclusion in the income account for a single year would result in a seriously abnormal income statement, and no provision has been made through accruals to reserves or suspense for anticipating such transactions, the accounting company may distribute the amount, or any part thereof, to Profit and Loss.

## TEXT PERTAINING TO PROFIT AND LOSS ACCOUNTS

### 501. DIVIDEND APPROPRIATIONS OF SURPLUS.

This account shall include amounts declared payable as dividends out of accumulated surplus on actual outstanding capital stock issued or assumed by the accounting company.

This account shall be divided so as to show separately the dividends on the various classes of capital stocks.

If a dividend is not payable in cash, the consideration shall be described in the entry with sufficient particularity to identify it.

NOTE.—This account shall not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in the treasury, in special deposits, in sinking or other funds, or pledged as collateral.

### 502. APPROPRIATIONS TO RESERVES.

This account shall include appropriations from surplus for sinking fund and other reserves and allotments of surplus or payment of definite amounts from surplus into sinking fund and other reserves under the terms of mortgages, deeds of trust, or other contracts; and such other appropriations of surplus to be set aside in special reserve accounts as the accounting company may make.

NOTE.—It is the intent of the classification that a reserve shall be provided, either through retirement expense or by appropriations from surplus, or both, sufficient to cover all retirement losses that may reasonably be expected.

### 503. MISCELLANEOUS CREDITS TO PROFIT AND LOSS.

This account shall include all credits affecting the accounting company's surplus or deficit and not elsewhere provided for, such as:

Adjustments or cancellation of balance sheet accounts.

Cancellation of balance sheet accounts representing unclaimed wages and vouchered accounts written off because of the accounting company's inability to locate the creditor.

Profit derived from the sale of miscellaneous investments.

Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost less than par value.

Premiums on capital stock at the time of its reacquirement. (See "Balance Sheet Accounts—General Instructions and Definitions," Section 11, page 13.)

Unreleased premiums on funded debt reacquired before maturity. (See "Balance Sheet Accounts—General Instructions and Definitions," Section 12, page 13.)

NOTE.—If old accounts are collected which have been previously written off as uncollectible the amount received should be credited to the account which was originally charged when the amount in question was written off, and not to "Profit and Loss."

### 504. MISCELLANEOUS DEBITS TO PROFIT AND LOSS.

This account shall include all debits affecting the accounting company's surplus or deficit and not elsewhere provided for, such as:

Adjustments or cancellation of balance sheet accounts.

Losses or deficits not properly chargeable to income and for which no reserve has been provided.

Losses resulting from the sale of miscellaneous investments, and debits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost exceeding the par value.

Unextinguished discounts on funded debt reacquired before maturity.

Donations to charitable institutions and organizations for promoting social welfare.

Penalties and fines for violations of law.

## OPERATING REVENUE ACCOUNTS

SALES OF WATER:

601 Metered sales to general consumers.
602 Flat-rate sales to general consumers.
603 Flat-rate sales to irrigation consumers.
604 Sales to other water utilities.
605 Municipal hydrant rental.
606 Miscellaneous municipal sales.

MISCELLANEOUS REVENUES:

611 Commissions on others' water.
612 Rent from water appliances.
613 Rent from property used in operation.
614 Merchandise and jobbing.
615 Miscellaneous operating revenues.

# OPERATING REVENUE ACCOUNTS

## GENERAL INSTRUCTIONS AND DEFINITIONS

1. **Operating Revenue Accounts Defined.**—Operating revenue accounts are those in which are recorded the amount which the accounting company receives or becomes lawfully entitled to recover for services rendered, for products or merchandise sold, as a return on property used in the company's own operations, and as interest on current funds, such as daily bank balances.

2. **Basis of Credits to Operating Revenue Accounts.**—Credits to the various revenue accounts shall be made upon the basis of bills rendered or of gross prices. Discounts for prompt payment, corrections of overcharges, over-collections theretofore credited and afterward corrected, authorized abatements and allowances and other corrections and deductions shall be charged to the revenue account to which they relate.

NOTE A.—If a water utility desires to credit its revenue accounts upon the basis of net price charged consumers, all discounts forfeited or penalties charged for delayed payments shall be credited to the revenue accounts involved and kept in such form as to permit their being separately reported.

NOTE B.—If the accounting company sells all or part of its water through an agent under contract by which the agent pays distribution and other expenses and turns over to the accounting company the amount collected from sales of water less agent's commission, the accounting company should credit its revenue accounts with the full amount collected by its agent and charge the amount of the agent's commission to operating expense account No. 890, "Agents' Commissions." The agent should credit the amount of the commission received to operating revenue account No. 611, "Commission on Others' Water," and credit the remainder of the revenue from water sold on commission to the account of the company supplying such water.

3. **Delayed Items.**—Delayed items are those representing transactions which occurred prior to the period for which a revenue account is stated, but which were not recorded currently. Such items may be charged or credited to the appropriate revenue account for the fiscal period in which the transactions are actually recorded. If, however, the amount of such items is relatively so large that its inclusion in the revenue accounts for a single year would result in a seriously abnormal income statement and no provision has been made through accruals to reserves or suspense accounts for anticipating such transactions, the accounting company may distribute the amount or any part thereof to Profit and Loss.

4. **No Revenue from Water Used in Operations or Supplied Without Direct Charge.**—If the accounting company desires to charge its various departmental accounts with the water used in such departments which it has itself produced or purchased for resale, the value of such water shall not be credited to revenue, but to the appropriate operating expense account for "Duplicate Charges." Similarly, if water is supplied without direct charge in accordance with the terms of a municipal or other contract calling for limited "free" service, in accordance with franchise requirements, as compensation for the services of employes, etc., and it is desired to charge the value of the water so furnished to appropriate operating expense accounts, the concurrent credit shall be, not to a revenue amount, but to "Duplicate Charges."

## TEXT PERTAINING TO OPERATING REVENUE ACCOUNTS

### 601. METERED SALES TO GENERAL CONSUMERS.

This account shall include all revenues received for measured water supplied for residential, commercial, and industrial purposes where the total receipt is dependent upon quantity of water supplied, except revenues from the sale of water to municipal corporations and other governmental agencies at rates not available to non-municipal users.

NOTE.—Where practicable this account should be subdivided to show the sales of water for residential, commercial and industrial purposes.

### 602. FLAT-RATE SALES TO GENERAL CONSUMERS.

This account shall include all revenues received for water supplied at flat rates per year, per night, per hour, or other time unit, or on any basis independent of the quantity of water supplied, except revenues from the sales of water to municipal corporations and other governmental agencies at rates not available to non-municipal users.

NOTE.—Where practicable this account should be subdivided to show the sales of water for residential, commercial and industrial purposes.

### 603. FLAT-RATE SALES TO IRRIGATION CUSTOMERS.

This account shall include all earnings from the sale of water for irrigation purposes at rates specially made, in any manner applied to units of consumption.

### 604. SALES TO OTHER WATER UTILITIES.

This account shall include all revenues derived from water sold to other water utilities to be by them distributed through their own system to consumers. If any portion of such water is incidentally consumed by such utilities for their own benefit, it shall be included herein if not separately measured or if included under the same contract with that which is distributed by them to consumers.

### 605. MUNICIPAL HYDRANT RENTAL.

This account shall include all revenue from the municipality for hydrant rental. Where the hydrant rental paid by the municipality includes the use of water for street sprinkling and flushing purposes, and such water is not being separately metered, the total revenue collected under the contract for hydrant rental shall be credited to this account.

### 606. MISCELLANEOUS MUNICIPAL SALES.

This account shall include all revenues derived from water supplied to municipal corporations at special rates not available to non-municipal consumers; also all revenues from water supplied under special contract with federal, state, or county governments.

### 611. COMMISSIONS ON OTHERS' WATER.

This account shall include all revenues accruing to the accounting company for distributing water of other companies over its distribution system and selling the same, and for all other services performed in connection therewith. (See Operating Revenue Accounts—General Instructions and Definitions.)

## 612. RENT FROM WATER APPLIANCES.

This account shall include all revenues derived from leasing water motors, meters and other water apparatus and appliances. Where the contract or lease names only a single consideration for both the use and the maintenance of the appliances, the entire revenue shall be included in this account.

## 613. RENT FROM PROPERTY USED IN OPERATION.

This account shall include rents received for the use by others of buildings, land, and other property devoted to water operations by the accounting company. This covers such matters as rent from joint use of office buildings, rent from land included with water rights, etc.

When any corporation engages in water operations for the production of some of its product for the benefit of another or others under an arrangement for apportioning the expense among the several participants in the arrangements, if such arrangement provides for the receipt by the accounting company of any profit or return upon its property, such profit or return upon property shall, as it accrues, be credited to this account. Such profit or return must be over and above any provision for wear and tear and retirement expense on plant involved in said production, and the amount thereof must be as provided in the arrangement under which the joint production occurs.

## 614. MERCHANDISE AND JOBBING.

This account shall include all revenues derived from the sale of water merchandise and from water jobbing. To this account shall be charged the cost to the accounting company of such merchandise sold including transportation costs, and the cost of labor employed in merchandise and jobbing work so far as it is the practice of the accounting company to segregate such labor costs; also discounts and allowance made in connection with settlement of bills for merchandise and jobbing.

To this account shall also be credited the profit or commission accruing to the accounting company on all piping and jobbing work performed by it as agent under agency contracts whereunder it undertakes to do jobbing work for another for a stipulated profit or commission.

NOTE A.—The accounting company should keep this account in such detail as to enable it to analyze the credits and debits in its annual reports.

NOTE B.—This account does not include receipts from the sale of superseded equipment or of junk or other scrap or salvage. Such receipts should be credited to the account to which the cost of the superseded equipment is charged or (in the case of the sale of junk, etc.) to account No. 921, "Undistributed General Expenses," or the appropriate sub-division thereof.

NOTE C.—If the accounting company sells merchandise or does jobbing work at or below cost for the purpose of inducing greater use of water, a debit balance in this account due to such a practice shall be charged to operating expense account No. 901, "New Business Expenses," or the appropriate sub-division thereof.

NOTE D.—If the accounting company is engaged in merchandising or jobbing primarily for direct profit than for stimulating the consumption of water, such merchandising and jobbing may be organized and accounted for as a distinct department of the accounting company co-ordinate with the water department.

## 615. MISCELLANEOUS OPERATING REVENUES.

This account shall include all revenues derived from water operations not includible in any of the foregoing accounts. This covers such items as profit on the sale of materials and supplies not ordinarily purchased for resale, sale of overflow water, interest on daily bank balances, etc.

# OPERATING EXPENSE ACCOUNTS

NOTE.—The numbers at the left, preceding the account titles, are the numbers which will be officially used in connection with the account titles. The numbers employing decimals as shown in the column at the right following the account titles are those used in the classification of accounts as adopted by the National Association of Railway and Utilities Commissioners. Utilities may use the numbers following the account titles, if desired.

The letters at the left (A, B, C, D) refer to the various classes of utilities and indicate the accounts which each class of utility is required to keep. For example, a Class D company is required to keep all accounts opposite which the letter D appears, insofar as such accounts are applicable to its business. (For basis of classifying utilities, see page 9.)

| | | | | | |
|---|---|---|---|---|---|
| | | | 700 | SOURCE OF WATER SUPPLY EXPENSES | |
| D | C | B | 701 | Superintendence and labor | 701. |
| | | A | 702 | Superintendence | 701.1 |
| | | A | 703 | Operating labor | 701.2 |
| D | C | B | A 704 | Operating supplies and expenses | 702. |
| D | C | | 705 | Maintenance of source of supply | 703. |
| | | B | A 706 | Repairs to water supply buildings | 703.1 |
| | | B | A 707 | Repairs to surface source of supply facilities | 703.2 |
| | | B | A 708 | Repairs to ground source of water supply | 703.3 |
| D | C | B | A 709 | Water purchased for resale | 704. |
| | | | | 710 PUMPING EXPENSES | |
| | | | | STEAM POWER PUMPING: | |
| D | C | | 711 | Superintendence and labor | 711. |
| | | B | A 712 | Superintendence | 711.1 |
| | | B | A 713 | Boiler labor | 711.2 |
| | | B | A 714 | Pumping labor | 711.3 |
| | | B | A 715 | Miscellaneous labor | 711.4 |
| D | C | | 716 | Steam pumping supplies and expenses | 712. |
| | | B | A 717 | Fuel | 712.1 |
| | | B | A 718 | Water for steam | 712.2 |
| | | B | A 719 | Lubricants | 712.3 |
| | | B | A 720 | Miscellaneous steam pumping supplies and expenses | 712.4 |
| D | C | | 721 | Maintenance of steam pumping plant | 713. |
| | | B | A 722 | Maintenance of steam pumping buildings | 713.1 |
| | | B | A 723 | Maintenance of boilers and accessories | 713.2 |
| | | B | A 724 | Maintenance of steam pumping equipment | 713.3 |
| | | B | A 725 | Maintenance of miscellaneous steam pumping equipment | 713.4 |
| D | C | B | A 726 | Steam from other sources | 714. |
| D | C | B | A 727 | Steam generated—apportionment account | 715. |
| | | | | ELECTRIC POWER PUMPING: | |
| D | C | | 731 | Superintendence and labor | 721. |
| | | B | A 732 | Superintendence | 721.1 |
| | | B | A 733 | Pumping labor | 721.2 |
| | | B | A 734 | Miscellaneous labor | 721.3 |
| D | C | | 735 | Electric pumping supplies and expenses | 722. |
| | | B | A 736 | Lubricants | 722.3 |
| | | B | A 737 | Miscellaneous electric pumping supplies and expenses | 722.4 |
| D | C | | 738 | Maintenance of electric pumping plant | 723. |
| | | B | A 739 | Maintenance of electric pumping buildings | 723.1 |
| | | B | A 740 | Maintenance of electric pumping equipment | 723.2 |
| | | B | A 741 | Maintenance of miscellaneous electric pumping equipment | 723.3 |
| D | C | B | A 742 | Electric energy from other sources | 724. |

| | | | | | |
|---|---|---|---|---|---|
| | | | | Gas or Oil Power Pumping: | |
| D | C | | 751 | Superintendence and labor | 731. |
| | | B | A 752 | Superintendence | 731.1 |
| | | B | A 753 | Producer labor | 731.2 |
| | | B | A 754 | Pumping labor | 731.3 |
| | | B | A 755 | Miscellaneous pumping labor | 731.4 |
| D | C | | 756 | Gas or oil pumping supplies and expenses | 732. |
| | | B | A 757 | Fuel | 732.1 |
| | | B | A 758 | Water | 732.2 |
| | | B | A 759 | Lubricants | 732.3 |
| | | B | A 760 | Miscellaneous gas or oil pumping supplies and expenses | 732.4 |
| D | C | | 761 | Maintenance of gas or oil pumping plant | 733. |
| | | B | A 762 | Maintenance of gas or oil pumping buildings | 733.1 |
| | | B | A 763 | Maintenance of gas producer and auxiliary equipment | 733.2 |
| | | B | A 764 | Maintenance of gas or oil pumping equipment | 733.3 |
| | | B | A 765 | Maintenance of miscellaneous gas or oil pumping equipment | 733.4 |
| D | C | B | A 766 | Power gas from other sources | 734. |
| | | | | Hydraulic Power Pumping: | |
| D | C | | 771 | Superintendence and labor | H 731. |
| | | B | A 772 | Superintendence | H 731.1 |
| | | B | A 773 | Hydraulic labor | H 731.2 |
| | | B | A 774 | Pump labor | H 731.3 |
| | | B | A 775 | Miscellaneous labor | H 731.4 |
| D | C | | 776 | Hydraulic pumping supplies and expenses | H 732. |
| | | B | A 777 | Lubricants | H 732.3 |
| | | B | A 778 | Miscellaneous hydraulic pumping supplies and expenses | H 732.4 |
| D | C | | 779 | Maintenance of hydraulic pumping plant | H 733. |
| | | B | A 780 | Maintenance of dams, canals, flumes and buildings | H 733.1 |
| | | B | A 781 | Maintenance of turbines and water wheels | H 733.2 |
| | | B | A 782 | Maintenance of hydraulic pumping equipment | H 733.3 |
| | | B | A 783 | Maintenance of miscellaneous hydraulic pumping equipment | H 733.4 |
| | | B | A 784 | Hydraulic power purchased | H 734. |
| | | | | **790 PURIFICATION EXPENSES** | |
| D | C | | 791 | Superintendence and labor | 751. |
| | | B | A 792 | Superintendence | 751.1 |
| | | B | A 793 | Purification labor | 751.2 |
| D | C | B | A 794 | Purification supplies and expenses | 752. |
| D | C | | 795 | Maintenance of purification plant | 753. |
| | | B | A 796 | Maintenance of purification buildings | 753.1 |
| | | B | A 797 | Maintenance of purification equipment | 753.2 |
| D | C | B | A 798 | Duplicate production charges—Cr. | 758. |
| D | C | B | A 799 | Production expenses transferred—Cr. | 759. |
| | | | | **800 TRANSMISSION AND DISTRIBUTION EXPENSES** | |
| D | C | | 801 | Operating labor and expense | 761. |
| | | B | A 802 | Superintendence | 761.1 |
| | | B | A 803 | Reservoir, tank and stand pipe labor | 761.2 |
| | | B | A 804 | Inspecting and testing meters | 761.4 |
| | | B | A 805 | Removing and resetting meters | 761.5 |
| | | B | A 806 | Inspecting customers' installations | 761.6 |
| | | B | A 807 | Miscellaneous transmission and distribution labor | 761.7 |

| | | | | | |
|---|---|---|---|---|---|
| | B | A | 808 | Miscellaneous distribution supplies and expenses | 762. |
| D | C | | 809 | Maintenance of transmission and distribution system | 763. |
| | B | A | 810 | Maintenance of transmission and distribution buildings | 763.1 |
| | B | A | 811 | Maintenance of transmission mains | 763.2 |
| | B | A | 812 | Maintenance of storage reservoirs, tanks and stand pipes | 763.3 |
| | B | A | 813 | Maintenance of distribution mains | 763.4 |
| | B | A | 814 | Maintenance of services | 763.5 |
| | B | A | 815 | Maintenance of meters | 763.6 |
| | B | A | 816 | Maintenance of hydrants | 763.7 |
| | B | A | 817 | Maintenance of fountains and troughs | 763.8 |

## 880 COMMERCIAL EXPENSES

| | | | | | |
|---|---|---|---|---|---|
| D | C | | 881 | Commercial administration | 771. |
| | B | A | 882 | Commercial general labor | 771.1 |
| | B | | 883 | Commercial Books and contracts | |
| | | A | 884 | Commercial bookkeeping | 771.3 |
| | | A | 885 | Commercial contracts | 771.5 |
| | B | | 886 | Commercial meter reading and collecting | |
| | | A | 887 | Commercial collecting | 771.4 |
| | | A | 888 | Meter reading | 771.2 |
| | B | A | 889 | Commercial supplies and expenses | 771.6 |
| D | C | B A | 890 | Agents' commissions | |

## 900 NEW BUSINESS EXPENSES

| | | | | | |
|---|---|---|---|---|---|
| D | C | | 901 | New business expenses | 772. |
| | B | A | 902 | New business salaries | 772.1 |
| | B | A | 905 | New business supplies and expenses | 772.2 |

## 920 GENERAL AND MISCELLANEOUS EXPENSES

| | | | | | |
|---|---|---|---|---|---|
| D | | | 921 | Undistributed general expenses | 781. |
| | C | B | 922 | General office salaries | 781.1 |
| | | A | 923 | Administrative salaries | 781.11 |
| | | A | 924 | Other general office salaries | 781.12 |
| | C | | 925 | Miscellaneous general expenses | 781.2 |
| | B | A | 926 | General office supplies and expense | 781.21 |
| | B | A | 927 | General stationery and printing | 781.22 |
| | B | A | 928 | Maintenance of General structures | 781.23 |
| | B | A | 931 | Law expenses | 781.26 |
| | B | A | 932 | Insurance | 781.27 |
| | B | A | 933 | Store expenses | 781.28 |
| | B | A | 934 | Transportation expenses | 781.29 |
| | B | A | 935 | Undistributed adjustments | 781.30 |
| | B | A | 936 | Rentals | 781.31 |
| | B | A | 937 | Other miscellaneous general expenses | 781.32 |
| D | C | B A | 938 | Retirement expense | 782. |
| D | C | B | 939 | Injuries and damages | 783. |
| | | A | 940 | Claim department expenses | 783.1 |
| | | A | 941 | Medical expenses | 783.2 |
| | | A | 942 | Injuries to employees | 783.3 |
| | | A | 943 | Other personal injuries and property damage | 783.4 |
| | | A | 944 | Miscellaneous accident expenses | 783.5 |
| D | C | B A | 945 | Regulatory commission expenses | 784. |
| D | C | B | 946 | Relief and welfare work | 785. |
| | | A | 947 | Employees' welfare department | 785.1 |
| | | A | 948 | Pensions | 785.2 |
| D | C | B A | 949 | Franchise requirements | 786. |
| D | C | B A | 950 | Amortization of franchises | 787. |
| D | C | B A | 951 | Water expenses transferred—Cr. | 788. |
| D | C | B A | 952 | Joint operating expenses—Cr. | 789. |
| D | C | B A | 953 | Duplicate miscellaneous charges—Cr. | 790. |

# OPERATING EXPENSE ACCOUNTS

## GENERAL INSTRUCTIONS AND DEFINITIONS

1. **Operating Expenses Defined.**—The term *operating expenses* as used in this classification means such expenses as are necessary to the maintenance of the corporate organization, the rendering of service required or authorized by law, the sale of merchandise, the production (including herein capital consumed) and disposition of commodities produced, and the collection of the revenues therefor. Expenses directly incident to the collection of non-operating revenues and the maintenance of property from which non-operating revenues are derived are excluded from operating expenses.

2. **Definitions of Certain Terms Used in Connection with Expense Accounts.**—Except where some other meaning is clearly specified in the definitions of the accounts, the following words, wherever used hereunder, have the meaning below stated:

*Cost* means cash or money cost, and not price based on a term of credit.

*Labor* means human services of whatever character.

*Cost of labor* includes wages, salaries, and fees paid to persons for their services.

*Cost of materials and supplies* includes all specially assignable transportation charges incurred in obtaining the delivery of such materials and supplies upon the premises of the purchaser, such as packing, drayage, freight, insurance, customs duties, commissions, etc., and cost of any special tests made thereon prior to their acceptance; and in case the accounting person or corporation desires, it may include a suitable proportion of store expenses (when the materials and supplies are passed through stores) and the cost of further transportation to the place of consumption, and a suitable proportion of the expenses of the purchasing department, in which case a corresponding credit shall be made to the suitable expense account as hereinafter provided.

*Cost of repairs,* when made by the accounting person or corporation, includes cost of labor expended and material consumed, and incidental expenses such as carfare, permits, inspection, etc., less salvage, if any.

*Current maintenance* includes such expenses necessary to maintain the tangible property in a state of operating efficiency as do not result in a substantial change of identity in any particular unit of property. It includes the cost of minor replacements of small parts commonly called the cost of repairs, but it does not include the cost of replacing individual structures, facilities or units of equipment or important sections of continuous structures such as electric line. Current maintenance costs are chargeable to operating expenses and wherever the word "maintenance" is used in the definition of an operating expense account current maintenance is to be understood. The cost of replacing the larger units is chargeable to fixed capital, from which the cost of the property replaced must be deducted.

NOTE.—It is not required that the transportation element of cost shall be assigned with a greater degree of accuracy than to the nearest cent per unit of material or supply. Where a single transportation item covers a multitude of things the portion of the expense not assigned to specific things should be charged to the same account that store expenses are charged to.

3. **Unaudited Bills and Vouchers.**—When bills covering operating expense items are not received in time for audit, and when vouchers are not made in time for inclusion in the operating accounts for the month in which the transactions occur, the items may be estimated and in such form charged or credited to operating accounts, and credited or charged to operating reserves, the necessary adjustments being made later when the bills and vouchers are taken into the accounts.

4. **Delayed Items.**—Delayed items are those representing transactions which occurred prior to the period covered by the income account, but which were not recorded currently. Such items may be charged or credited to the appropriate expense account for the fiscal period in which the transactions are actually recorded. If, however, the amount of such items is relatively so large that its inclusion in the expense accounts for a single year would result in a seriously abnormal income statement, and no provision has been made through accruals to reserves or suspense accounts for anticipating such transactions, the accounting company may distribute the amount or any part thereof to Profit and Loss.

5. **Salvage and Insurance.**—Salvage and insurance received in connection with maintenance jobs not involving deductions from fixed capital shall be credited to the appropriate maintenance account. (See "Fixed Capital Accounts—General Instructions and Definitions," Section 6, page 31).

If the insurance for damaged property is relatively large, and is received before the repairs have been completed, a disproportionate credit to operating expenses may be avoided by crediting the amount of the insurance recovered to a suspense account to which the cost of the repair shall then be charged to the extent that it is covered by insurance.

Insurance recovered in connection with personal injuries shall be credited to account No. 939, "Injuries and Damages" or the appropriate subdivision thereof. Dividends distributed by mutual insurance companies shall be credited to the account to which the insurance premium is charged. Recoveries under fidelity bonds shall be credited to the account charged with the loss.

6. **Retirement Expense.**—An account is provided in which to include charges made in order that corporations may, through the creation of adequate reserves, equalize from year to year, as nearly as is practicable, the losses incident to important retirements of buildings, dams, etc., or of large sections of continuous structures like water main, or of definitely identifiable units of plant or equipment. "Losses" used above means in each case the excess of the original cost to the accounting company of the property retired plus the cost of dismantling or removing over its salvage value at the time of its retirement. The cost of replacing minor parts, which is not recorded by any entries in the fixed capital accounts, and which is commonly called the cost of "repairs" or "maintenance," as distinguished from the cost of "replacements" of large units, need not be provided for through a retirement reserve. The amounts charged to retirement expense plus amounts appropriated from surplus should be upon a basis determined to be equitable according to the accounting company's experience and best sources of information, and should in all cases be sufficient to provide during a period of years a reserve against which can be written off all losses sustained upon the retirement of property for any cause whatsoever.

A statement of the rule used by the accounting company for computing these charges shall be included in its annual report to the Commission.

7. **Classification of Utilities by Revenue.**—For the purpose of this classification of accounts water utilities are divided into four classes as follows:

Class A.—Utilities having average annual operating revenues exceeding $250,000.

Class B.—Utilities having average annual operating revenues exceeding $50,000, but not over $250,000.

Class C.—Utilities having average annual operating revenues exceeding $10,000, but not over $50,000.

Class D.—Utilities having average annual operating revenues of $10,000 or less.

In order that frequent changes in the classification may be avoided, the class to which a water utility belongs may be determined by the average of its annual revenues for the three years next preceding the date as of which its classification is to be determined.

If at the close of any fiscal year following, the average of its annual revenues for the three next preceding years is greater than the maximum for the class in which the corporation has been grouped, it shall automatically be grouped with the higher class in which it falls by virtue of such increased annual revenues. Corporations engaged in new enterprises the annual revenues from which is not known in advance shall be classed in accordance with a reasonable estimate of their prospective revenue.

The classification of operating expenses which follows is adapted to corporations in all four classes. The primary accounts are expanded and subdivided as will be indicated to meet the needs of each class. No separate definitions are stated for accounts which are thus divided, but the content of such accounts is to be found in the definitions of the final subdivisions. When such subdivisions are kept as primary ledger accounts it will not be necessary to keep also the account which has been subdivided.

Each utility should keep, so far as they are applicable to its business, at least the accounts provided for the class to which it belongs. Any corporation may, however, keep any or all of the accounts of the more extended schemes provided for those utilities which are in higher revenue classes. If desired further refinements or extensions of the scheme of accounts to meet the needs of individual corporations may be made by subdividing the accounts herein established, provided that the integrity of the required accounts is not impaired.

Each title in a condensed classification is to be understood to comprise the titles following it for a more expanded classification. The letter D preceding the title denotes that at least the accounts so indicated must be kept by utilities in class D so far as they are applicable to its business. The letter C indicates the accounts that must be kept by class C utilities, and so on. Accounts that are to be kept as primary accounts by more than one class of utilities are indicated by prefixing the letters of all the classes which are required to keep such accounts.

## TEXT PERTAINING TO OPERATING EXPENSE ACCOUNTS

### 700 SOURCE OF WATER SUPPLY EXPENSES

D C B 701 SUPERINTENDENCE AND LABOR.

A 702 SUPERINTENDENCE.

This account shall include the salaries and expenses of the superintendent and assistants, chemists, draftsmen, foremen and all clerical help upon records and accounts pertaining to the source of water supply, whether such service is performed at the general office, or at the plants.

A 703 OPERATING LABOR.

This account shall include the salaries and wages of patrolmen, inspectors, caretakers and other employees engaged in operating head gates, patroling of drainage area, reservoirs, dams, and other facilities appurtenant to the water supply. Do not include maintenance labor or labor pumping water.

D C B A 704 OPERATING SUPPLIES AND EXPENSES.

This account shall include the cost of supplies consumed, and expenses incurred in the operation of the source of water supply. Do not include maintenance supplies or expenses.

D C 705 MAINTENANCE OF SOURCE OF SUPPLY.

B A 706 REPAIRS TO WATER SUPPLY BUILDINGS.

This account shall include the cost of labor and material used in repairs to buildings, fixtures and grounds used in connection with the source of water supply, such as dwellings occupied by patrolmen, inspectors, caretakers, and other employees engaged in the operation of the source of water supply, pump houses, well houses, and other buildings.

NOTE.—If source of water supply pumping is done in the pumping station where water is pumped into the distribution system, this account may be charged with an equitable portion of the cost of maintaining such station buildings, fixtures and grounds.

B A 707 REPAIRS TO SURFACE SOURCE OF SUPPLY FACILITIES.

This account shall include the cost of labor and material used in repairs to impounding reservoirs, dams, artificial lakes and ponds, canals, conduits, embankments, channels, waste weirs, gates, valves, gate structures, pipe lines, flumes, aqueducts, supporting trestles, viaducts, and appurtenant equipment when used for collection or diversion of water from a surface source of supply.

B A 708 REPAIRS TO GROUND SOURCE OF WATER SUPPLY.

This account shall include the cost of labor and material used in repairs to large open wells, shallow tubular wells, deep wells, artesian wells, springs, and repairs to infiltration galleries. Include also repairs to collecting reservoirs, intake wells, and conduits and appurtenant equipment when used for the collection of water from a ground source of water supply.

D C B A 709 WATER PURCHASED FOR RESALE.

This account shall include the cost at the point of delivery to the utility of all water purchased for resale.

NOTE.—Details of this account shall be kept so as to show from whom purchased, quantity purchased, and the rate and amount paid therefor.

## 710 PUMPING EXPENSES

NOTE.—The accounts for pumping are divided according to the kind of power used, into four general groups, namely: (1) steam power pumping; (2) electric power pumping; (3) gas or oil power pumping and (4) hydraulic power pumping. Each of these groups includes all accounts for pumping operations from the source of water supply to and including the distribution system.

Whenever two or more distinct pumping operations are involved, and the cost of each can be ascertained, subaccounts should be raised under the various primary accounts of the appropriate group, to show separately the portions thereof relating to source of water supply pumping, purification pumping and distribution pumping.

STEAM POWER PUMPING.

D C 711 SUPERINTENDENCE AND LABOR.

B A 712 SUPERINTENDENCE.

This account shall include the cost of superintendence of steam power pumping. Charge to this account the salaries of the superintendent and assistants, draftsmen, foremen, and all clerical help upon records and accounts pertaining to steam power pumping. Include also that portion of the salaries of the engineering staff chargeable to steam power pumping. No material should be charged to this account.

NOTE.—If, in addition to steam power pumping, water is pumped at the same station by electric, oil or gas power, the cost of superintendence at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

B A 713 BOILER LABOR.

This account shall include the cost of all labor incident to steam generation. Charge to this account the wages of boiler house foremen, firemen, helpers, shovelers, weighers, feed pump men, stokers, boiler room watchmen and janitors, also labor employed in blowing flues, cleaning boilers and handling coal and ashes. Exclude maintenance labor.

B A 714 PUMPING LABOR.

This account shall include the cost of all labor engaged in operating steam power pumping equipment. Charge to this account the salaries and wages of chief engineers and assistants, engineers, oilers, wipers, machinists and all other employees whose duties concern the operation of such steam power pumping equipment. Exclude maintenance labor.

NOTE.—If, in addition to steam power pumping, water is pumped at the same station by electric, oil, or gas power, the labor cost of operating pumps at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

B A 715 MISCELLANEOUS LABOR.

This account shall include the salaries and wages of all employees in and about the steam power pumping plant not assignable to any of the foregoing accounts. Exclude maintenance labor.

NOTE.—When another department within the company makes demand upon the same boiler plant, sub-account should be raised to show separately,

(a) Labor for production of steam,

(b) Labor for pumping water.

NOTE.—If, in addition to steam power pumping, water is pumped by electric, oil or gas power, the cost of miscellaneous labor at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

D C 716 STEAM PUMPING SUPPLIES AND EXPENSES.

B A 717 FUEL.

This account shall include the cost of all fuel used for steam, whether coal, oil, gas or other fuel, f. o. b. station or storage pile. This will include

the invoice cost of fuel, freight, switching, rent of railroad sidings, demurrage, cost of unloading from cars or boats to wagons, and cartage to point of delivery at plant for storage, or unloading from scows or cars and conveying to place of storage. In case coal is transferred from one place to another, this cost should also be included, and any discrepancy between the actual amount of coal on hand and that recorded on the books of the company should likewise be taken care of in this account.

B A 718 WATER FOR STEAM.

This account shall include the cost of water for boilers, condensers, and for cooling engines. Such cost, when water is purchased, should be based on the contract price or meter rate. Include also the cost of boiler compounds. If special pumping equipment is required in supplying water for such purposes, this account should be charged with the cost of operation and maintenance of the equipment involved.

When the water for such purposes is taken from the supply pumped for general distribution, the utility may, at its option, charge to this account the pumpage cost of of the water so used, crediting such charges to account No. 798 "Duplicate Production Charges—Cr."

B A 719 LUBRICANTS.

This account shall include the cost of lubricants for all machinery and apparatus in the steam power pumping plant, including engines, and pumping equipment driven by steam power.

Oil used in pumping water for steam should be charged to the account "Water for Steam."

Charge also to this account the cost of recovering oil from waste and the cost of filtering and handling.

B A 720 MISCELLANEOUS STEAM PUMPING SUPPLIES AND EXPENSES.

This account shall include the cost of all operating supplies used, and expenses incurred, in pumping water by steam power, not chargeable to any of the preceding accounts. This will include power plant records, boiler inspection, water for fire protection and general use, light and heat at pumping station, telephone service, gaskets, fire tools, gauge glasses and washers, waste, packing, wipers, hand tools, ice, janitors' supplies, and items of similar nature.

NOTE.—When another department within the company makes demand upon the same boiler plant, sub-accounts should be raised to show separately,

(a) Supplies and Expenses for production of steam.
(b) Supplies and Expenses for pumping water.

NOTE.—If, in addition to steam power pumping, water is pumped at the same station by electric, oil or gas power, the cost of pumping station supplies and expenses at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

D C 721 MAINTENANCE OF STEAM PUMPING PLANT.

B A 722 MAINTENANCE OF STEAM PUMPING BUILDINGS.

This account shall include the cost of repairing and maintaining steam power pumping station buildings, fixtures and grounds. This will include repairs to structures and all fixtures permanently attached thereto, such as water pipes and fixtures; pipes and fixtures for warming and ventilating; gas pipes and fixtures for lighting purposes, electric wiring and fixtures for lighting, signaling, and elevator purposes, and the engines and motors operating them; furnaces, boilers, etc., used for producing steam for such engines and for heating; electric generators especially provided for producing current for lighting such buildings; all brick, or concrete smokestacks used for

heating or power plant purposes; fences, walls, sidewalks, and pavements, adjacent to such buildings. Repairs to foundations and settings prepared especially for certain units of equipment and designed to last no longer than such units shall be charged to the account to which is charged the maintenance of such equipment.

B A 723 MAINTENANCE OF BOILERS AND ACCESSORIES.

This account shall include the cost of repairing and maintaining metal smokestacks, furnaces, boilers, feed pumps, economizers, feed water heaters, hot wells, cold wells, super-heaters, flues to smokestack entrance, boiler water purification equipment, stokers, boiler room cranes, coal and ash handling equipment, coal crushers, and auxiliary equipment. Also the specially provided foundations and settings for such equipment. It will also include valves, traps, injectors, expansion joints, pipe supports, gauges, gauge boards, and similar equipment. Repairs to conduits for station wiring, pipes for heating buildings, and pipes supplying water for general station purposes, should be charged to account No. 722, "Maintenance of Steam Pumping Buildings."

B A 724 MAINTENANCE OF STEAM PUMPING EQUIPMENT.

This account shall include the cost of repairing all pumping equipment driven by steam power. This includes steam pumps and their prime movers whether they are combined into one machine, or are separate units of equipment. Include also repairs to appurtenant equipment, such as condensers, lubricating systems, belting, etc.

B A 725 MAINTENANCE OF MISCELLANEOUS STEAM PUMPING EQUIPMENT.

This account shall include the cost of repairing and maintaining all steam power pumping station equipment, not includible in any of the preceding accounts, such as cranes, hoists, machine tools, safety appliances, and other miscellaneous steam power pumping station equipment.

NOTE.—If, in addition to steam power pumping, water is pumped by electric, oil or gas power, the cost of maintenance of miscellaneous pumping station equipment should be apportioned and the appropriate account under each method used should be charged accordingly, in so far as the use of such equipment is common to the different methods of pumping involved.

D C B A 726 STEAM FROM OTHER SOURCES.

This account shall include the cost of all steam purchased or jointly produced steam consumed in pumping water.

D C B A 727 STEAM GENERATED—APPORTIONMENT ACCOUNT.

This account will be raised only by companies operating in connection with the water utility other utilities (see third paragraph) or departments which make demand upon the same boiler plant.

Where a demand of this character is made upon a boiler plant, the expenses incident to generating steam shall be transferred from the foregoing accounts to this account at the close of the month. The total cost of generating steam as then shown shall be apportioned to the utilities or departments using the steam and this account credited with such amounts as charged to other utilities.

If the water utility is operated in connection with an electric utility and the steam supplied is obtained from a common boiler plant, the cost of generating steam will be kept according to the electric group of accounts, the total cost thereof apportioned and the amount chargeable to the water utility shall be included in this account.

The details of the cost of generating steam, and the amounts apportioned to the different utilities or department using the steam, and the basis used for the apportionment will be called for in the annual report to the Commission.

ELECTRIC POWER PUMPING.

D C 731 SUPERINTENDENCE AND LABOR.

B A 732 SUPERINTENDENCE.

This account shall include the cost of superintendence of electric power pumping. Charge to this account the salaries of the superintendents and assistants, draftsmen, foremen and all clerical help upon records and accounts pertaining to electric power pumping. Include also that portion of the salaries of the engineering staff chargeable to electric power pumping. No material should be charged to this account.

NOTE.—If, in addition to electric power pumping, water is pumped at the same station by steam, oil or gas power, the cost of superintendence at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

B A 733 PUMPING LABOR.

This account shall include the cost of all labor engaged in operating electric power pumping equipment. Charge to this account the salaries and wages of motor attendants, assistant pumpmen, oilers, wipers, machinists and all other employees whose duties concern the operation of such electric power pumping equipment. Exclude maintenance labor.

NOTE.—If, in addition to electric power pumping, water is pumped at the same station by steam, oil or gas power, the labor cost of operating pumps at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

B A 734 MISCELLANEOUS LABOR.

This account shall include the salaries and wages of all employees in and about the electric power pumping plant not assignable to any of the foregoing accounts. Exclude maintenance labor.

NOTE.—If, in addition to electric power pumping, water is pumped at the same station by steam, oil, or gas power, the cost of miscellaneous labor at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

D C 735 ELECTRIC PUMPING SUPPLIES AND EXPENSES.

B A 736 LUBRICANTS.

This account shall include the cost of lubricants for all machinery and apparatus in the electric power pumping plant, including motors and pumping equipment driven by electric power.

Charge also to this account the cost of recovering oil from waste and the cost of filtering and handling.

B A 737 MISCELLANEOUS ELECTRIC PUMPING SUPPLIES AND EXPENSES.

This account shall include the cost of all operating supplies used and expenses incurred in pumping water by electric power, not chargeable to any of the preceding accounts. This will include power plant records, water for fire protection and general use, light and heat at pumping station, telephone service, waste, packing, wipers, hand tools, ice, janitors' supplies and items of similar nature.

NOTE.—If, in addition to electric power pumping, water is pumped at the same station by steam, oil or gas power, the cost of pumping station supplies and expenses at such station should be apportioned and the appropriate account under each method should be charged accordingly.

D C 738 MAINTENANCE OF ELECTRIC PUMPING PLANT.

B A 739 MAINTENANCE OF ELECTRIC PUMPING BUILDINGS.

This account shall include the cost of repairing and maintaining electric power pumping station buildings, fixtures and grounds. This will include repairs to structures and all fixtures permanently attached thereto, such as water pipes and fixtures; pipes and fixtures for warming and ventilating; gas pipes and fixtures for lighting purposes; electric wiring and fixtures for lighting, signaling and elevator purposes, and the engines and motors operating them; furnaces, boilers, etc., used for producing steam for such engines and for heating; electric generators especially provided for producing current for lighting such buildings; all brick, concrete, iron or steel smokestacks used for heating or power plant purposes, fences, walls, sidewalks, and pavements, adjacent to such buildings. Repairs to foundations and settings prepared especially for certain units of equipment and designed to last no longer than such units shall be charged to the account to which is charged the maintenance of such equipment.

NOTE.—If, in addition to electric power pumping, water is pumped at the same station by steam, oil or gas power, the cost of maintenance of electric power pumping buildings and fixtures at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

B A 740 MAINTENANCE OF ELECTRIC PUMPING EQUIPMENT.

This account shall include the cost of repairing all pumping equipment driven by electric power. This will include pumps, motors, switchboards, air and circulating pumps, lubricating systems, motor generator sets and other accessory equipment.

B A 741 MAINTENANCE OF MISCELLANEOUS ELECTRIC PUMPING EQUIPMENT.

This account shall include the cost of repairing and maintaining all electric power pumping station equipment, not includible in any of the preceding accounts, such as cranes, hoists, machine tools, safety appliances and other miscellaneous pumping station equipment.

NOTE.—If, in addition to electric power pumping, water is pumped at the same station by steam, oil or gas power, the cost of maintenance or miscellaneous pumping station equipment at such station should be apportioned and the appropriate account under each method used should be charged accordingly, in so far as the use of such equipment is common to the different methods of pumping involved.

D C B A 742 ELECTRIC ENERGY FROM OTHER SOURCES.

This account shall include the cost, at the point of delivery to the utility, of all electric power purchased. This account shall also include the cost to the utility of all electric power produced by another company, under any joint arrangement for the sharing of expense, upon the basis of the relative amounts of benefits to the several participants; such cost may include a proportion to cover depreciation on the property involved, as well as a proportion of direct expense, but it must not include any allowance or return upon the cost or value of the property.

When electric power is transferred from another department, such as an electric utility, this account shall include an equitable proportion of operating expenses incurred by the department of the utility producing the electric power consumed by the water department for pumping. This charge should not include any allowance or return upon the cost or value of the property employed, nor should the charge include any portion of general and miscellaneous expenses. Only expenses directly related to the production of electric energy may be included in this account.

GAS OR OIL POWER PUMPING.

D C 751 SUPERINTENDENCE AND LABOR.

B A 752 SUPERINTENDENCE.

This account shall include the cost of superintendence of gas or oil power pumping. Charge to this account the salaries of the superintendent and assistants, draftsmen, foremen and all clerical help upon records and accounts pertaining to gas or oil power pumping. Include also that portion of the salaries of the engineering staff chargeable to gas or oil power pumping. No material should be charged to this account.

NOTE.—If, in addition to gas or oil power pumping, water is pumped at the same station by steam or electric power, the cost of local superintendence at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

B A 753 PRODUCER LABOR.

This account shall include all operating labor engaged in the production of power gas, including the handling of fuel from storage to the gas generator building, and handling of residuals from the generator building to the point where residuals are placed when removed from the building. Exclude maintenance labor.

B A 754 PUMPING LABOR.

This account shall include the cost of all labor engaged in operating gas or oil power pumping equipment. Charge to this account salaries and wages of chief engineers and assistant engineers, oilers, wipers, machinists and all other employees engaged in the operation of the gas or oil power pumping equipment. Exclude maintenance labor.

NOTE.—If, in addition to gas or oil power pumping, water is pumped at the same station by steam, or electric power, the labor cost of operating pumps at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

B A 755 MISCELLANEOUS PUMPING LABOR.

This account shall include the salaries and wages of all employees in and about the gas or oil power pumping plant not assignable to any of the foregoing accounts. Exclude maintenance labor.

NOTE.—If, in addition to gas or oil power pumping, water is pumped at the same station by steam or electric power, the cost of miscellaneous labor at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

D C 756 GAS OR OIL PUMPING SUPPLIES AND EXPENSES.

B A 757 FUEL.

This account shall include the cost of all fuel used for producing gas for gas engines and also fuel for oil or gasoline engines. Charges shall be based on the cost delivered at plant for storage, and include the invoice cost of fuel, freight, switching, demurrage, cost of unloading and cartage to point of delivery at plant, and cost of transferring fuel from one storage point to another.

Appropriate debits or credits shall be made to this account to adjust the book figures for fuel in stock to the actual amount on hand when discrepancies are disclosed by inventory.

NOTE.—Charges to this account should be concurrently credited to fuel stock account under "Materials and Supplies."

B A 758 WATER.

This account shall include the cost of water used in the production of gas for power purposes and water used for cooling gas or oil prime movers. If water is purchased, charge at the contract price or the meter rates. If special pumping equipment is required in supplying water for such purposes, this account should be charged with the cost of operation and maintenance of the equipment involved.

When the water for such purposes is taken from the supply pumped for general distribution, the utility may, at its option, charge to this account the pumpage cost of the water so used, crediting such charges to account No. 953, "Duplicate Miscellaneous Charges."

B A 759 LUBRICANTS.

This account shall include the cost of lubricants for all machinery and apparatus in the gas or oil power pumping plant, including gas producer machinery, engines, pumps and auxiliary equipment.

Oil used in pumping water for power gas purposes should be charged to the account "Water."

Charge also to this account the cost of recovering oil from waste and the cost of filtering and handling.

B A 760 MISCELLANEOUS GAS OR OIL PUMPING SUPPLIES AND EXPENSES.

This account shall include the cost of all operating supplies used and expenses incurred in pumping water by gas or oil power, not chargeable to any of the preceding accounts. This will include power plant records, boiler inspection, water for fire protection and general use, light and heat at pumping station, telephone service, gaskets, fire tools, gauge glasses and washers, waste, packing, wipers, hand tools, ice, janitors' supplies and items of similar nature.

NOTE.—If, in addition to gas or oil power pumping, water is pumped at the same station by steam or electric power, the cost of pumping station supplies and expenses at such station should be apportioned and the appropriate account under each method used should be charged accordingly.

D C 761 MAINTENANCE OF GAS OR OIL PUMPING PLANT.

B A 762 MAINTENANCE OF GAS OR OIL PUMPING BUILDINGS.

This account shall include the cost of repairing and maintaining gas or oil power pumping station buildings and fixtures. This will include repairs to structures and all fixtures permanently attached thereto, such as water pipes and fixtures; pipes and fixtures for warming and ventilating; gas pipes and fixtures for lighting purposes; electric wiring and fixtures for lighting; signaling and elevator purposes, and the engines and motors operating them, furnaces, boilers, etc., used for producing steam for such engines and for heating; electric generators especially provided for producing current for lighting such buildings; all brick, concrete, iron or steel smokestacks used for heating or power plant purposes; fences, walls, sidewalks and pavements, adjacent to such buildings. Repairs to foundations and settings prepared especially for certain units of equipment and designed to last no longer than such units shall be charged to the account to which is charged the maintenance of such equipment.

NOTE.—*If*, in addition to gas or oil power pumping, water is pumped at the same station by steam or electric power, the cost of maintenance of buildings and fixtures at such station should be apportioned and the appropriate account for each method of operation should be charged accordingly.

B A 763 MAINTENANCE OF GAS PRODUCER AND AUXILIARY EQUIPMENT.

This account shall include the cost of repairing and maintaining gas producers and accessories devoted to the production of gas for operating gas engines. This will include producers, economizers, regenerators, vaporizers, steam injectors, scrubbers, exhausters, seals, especially provided boilers and pumps, flues, blower engines and accessory apparatus.

B A 764 MAINTENANCE OF GAS OR OIL PUMPING EQUIPMENT.

This account shall include the cost of repairing all pumping equipment driven by gas or oil power. This will include pumps, engines, lubricating systems, igniting and starting apparatus and other accessory equipment.

B A 765 MAINTENANCE OF MISCELLANEOUS GAS OR OIL PUMPING EQUIPMENT.

This account shall include the cost of repairing and maintaining all gas or oil power pumping station equipment, not includible in any of the preceding accounts, such as cranes, hoists, machine tools, safety appliances and other miscellaneous gas or oil power pumping station equipment.

NOTE.—If, in addition to gas or oil power pumping, water is pumped at the same station by steam or electric power, the cost of maintenance of miscellaneous pumping station equipment should be apportioned and the appropriate account under each method used should be charged accordingly, in so far as the use of such equipment is common to the different methods of pumping involved.

D C B A 766 POWER GAS FROM OTHER SOURCES.

This account shall include the cost, at the point of delivery to the utility of all power gas purchased. This account shall also include the cost to the utility of all power gas produced by another company, under any joint arrangement for the sharing of expense, upon the basis of the relative amounts of benefits to the several participants; such cost may include a proportion to cover depreciation on the property employed, as well as a proportion of direct expense, but it must not include any allowance or return upon the cost or value of the property.

When power gas is transferred from another department, this account shall include an equitable proportion of operating expenses incurred by the department of the utility producing the power gas used by the water utilty for pumping water. This charge should not include any allowance or return upon the cost or value of the property employed, nor should the charge include any portion of general and miscellaneous expenses. Only expenses directly related to the production of gas may be included in this account.

HYDRAULIC POWER PUMPING.

D C 771 SUPERINTENDENCE AND LABOR.

B A 772 SUPERINTENDENCE.

This account shall include the total cost of superintendence of the hydraulic power pumping plant. This account includes the salaries of the superintendent of pumping plant, foremen, draftsmen, chemists and all clerical help upon records and accounts pertaining to hydraulic power pumping, whether such services are performed at the general office or at the plant. Charge also with the proportion of salaries of engineering staff assignable to the hydraulic power pumping plant.

NOTE.—If water is also pumped by other than hydraulic power at the same station, the total cost of superintendence will be apportioned over the corresponding superintendence accounts in the respective groups of Pumping account.

B A 773 HYDRAULIC LABOR.

This account shall include the salaries and wages of all employes operating the hydraulic works, including hydraulic foremen, gatemen, wheelmen, canal men, patrollers of reservoirs, dams and channels and all other employes whose duties concern the operation of hydraulic power equipment. Exclude maintenance labor.

B A 774 PUMP LABOR.

This account shall include the cost of all labor engaged in operating the hydraulic power pumping equipment. This includes such labor as that of foremen and assistants, oilers, wipers and all other employes whose duties concern the operation of such hydraulic power pumps. Exclude all maintenance labor.

NOTE.—If water is also pumped at the station by other than hydraulic power, pump labor jointly incurred will be apportioned over the corresponding accounts in the respective groups of Pumping account.

B A 775 MISCELLANEOUS LABOR.

This account shall include the salaries and wages of all employes in and about the hydraulic power pumping plant engaged in operating such plant, including watchmen, labor cleaning buildings and yards, janitors, messengers and general labor not chargeable to any of the foregoing hydraulic power pumping operating labor accounts. Exclude maintenance labor.

NOTE.—If water is also pumped by other than hydraulic power, labor charges jointly incurred will be apportioned accordingly over the appropriate classes of Pumping accounts.

D C 776 HYDRAULIC PUMPING SUPPLIES AND EXPENSES.

B A 777 LUBRICANTS.

This account shall include the cost of all lubricants for hydraulic power pumping equipment and all machinery connected therewith in the hydraulic power pumping plant. This includes machine oil, pump oil, graphite and other lubricants, but does not include wagon grease or oil for lanterns.

NOTE.—If water is also pumped at the plant by other than hydraulic power, the total cost of lubricants will be apportioned over the corresponding accounts in the respective groups of pumping accounts.

B A 778 MISCELLANEOUS HYDRAULIC PUMPING SUPPLIES AND EXPENSES.

This account shall include the cost of all operating supplies and expenses incurred in the pumping of water by hydraulic power not chargeable to any of the preceding accounts. This includes such items as waste, packing, wipers, hand tools, gas and electricity for lighting, heating and cleaning pumping station, laboratory apparatus and supplies, ice water for general use and fire protection, and all other items of similar nature. Charge this account also with stationery, telephones, etc., if it is desired to distribute such expenses.

NOTE.—Where water is also pumped at the station by other than hydraulic power, the total cost of miscellaneous pumping station supplies and expenses will be apportioned over the corresponding accounts in the respective groups of Pumping accounts.

D C 779 MAINTENANCE OF HYDRAULIC PUMPING PLANT.

B A 780 MAINTENANCE OF DAMS, CANALS, FLUMES AND BUILDINGS.

This account shall include all expenses for labor and materials incurred in repairing hydraulic structures. Such structures include dams, embankments, etc., for impounding water, and all appurtenant gates, valves, weirs, waste-ways, canals, conduits, and other channels (including riprap, lining walls, etc., pipe lines, flumes, aqueducts and supporting trestles, forebays and appurtenant sieves and grids, waste-ways, etc., all viaducts, bridges, foot-bridges, etc., over and accessory to or necessitated by such canals, aqueducts and flumes, and also the waste-ways, conducting the water from the outlet of the draft tube to the point of final discharge. Exclude operating labor.

B A 781 MAINTENANCE OF TURBINES AND WATER WHEELS.

This account shall include all expenses for labor and supplies incurred in repairing the hydraulic motive power, including head gates, pen-stocks, wheel gates, wheel governors, valves, turbines, water wheels, draft tubes, and connections. The maintenance of power transmission apparatus as shafts, belts, etc., will not be charged to this account. Exclude operating labor.

B A 782 MAINTENANCE OF HYDRAULIC PUMPING EQUIPMENT.

This account shall include all expenses for labor and material incurred in repairing hydraulic power pumps and hydraulic power pumping equipment. Do not charge this account with repairs to hydraulic power transmission equipment. Exclude operating labor.

B A 783 MAINTENANCE OF MISCELLANEOUS HYDRAULIC PUMPING EQUIPMENT.

This account shall include all expenses for labor and material incurred in making repairs to the hydraulic power pumping station auxiliary equipment. This includes repairs to oiling systems, power transmission equipment such as shafting, belting, rope and cable drives, clutches, pulleys, idler wheels, and auxiliary motors, hoists, cranes, blacksmiths' and machinists' tools and all other accessory equipment other than hand tools, the cost of which is to be included in operating expenses. Exclude operating labor.

NOTE.—If water is also pumped at the station by other than hydraulic power, the cost of maintaining pumping station auxiliary equipment used for the joint benefit of the different methods of pumping will be apportioned over the appropriate Maintenance accounts of the respective classes of Pumping accounts.

B A 784 HYDRAULIC POWER PURCHASED.

This account shall include the cost of all water purchased for the purpose of operating the hydraulic power pumping equipment. It is desired that this account shall be so kept as to indicate the name of the company or individual from whom such water was purchased, the amount of water power purchased and the terms under which it was purchased.

790 PURIFICATION EXPENSES

D C 791 SUPERINTENDENCE AND LABOR.

B A 792 SUPERINTENDENCE.

This account shall include the cost of all operating labor employed in the superintendence of purification and filtration. This will include the salaries and expenses of superintendents, assistants, chemists, general foremen, clerical help on records and accounts, and such portion of the salaries of the engineering staff as may be assignable to purification and filtration.

B A 793 PURIFICATION LABOR.

This account shall include the cost of labor engaged in the different processes of purification, from the point where water is received into the purification system to the point where it is ready for distribution. This will include labor for operating filters, and water treatment equipment, cleaning basins; removal of ice and sediment, etc. Exclude maintenance labor.

D C B A 794 PURIFICATION SUPPLIES AND EXPENSES.

This account shall include the cost of supplies consumed, and expenses, elsewhere unprovided for, incurred by the utility in the operation of its purification facilities. This will include the cost of all chemicals consumed in the purification process; light and heat, ice, towels, soap, brooms and similar items.

Utilities may, at their option, charge to this account the cost of water used for washing filters, and cleaning other structures and equipment of the purification system. Such charges when made should be credited to account No. 953, "Duplicate Miscellaneous Charges—Cr."

D C 795 MAINTENANCE OF PURIFICATION PLANT.

B A 796 MAINTENANCE OF PURIFICATION BUILDINGS.

This account shall include the cost of repairing and maintaining buildings, fixtures and grounds, devoted to the purification of water.

B A 797 MAINTENANCE OF PURIFICATION EQUIPMENT.

This account shall include the cost of repairing and maintaining all equipment used in the various stages of water purification. This will include repairs to sedimentation and coagulating basins, clear water basins, filters and their appurtenant equipment, water treatment equipment, renewing sand, washing sand, etc.

D C B A 798 DUPLICATE PRODUCTION CHARGES—Cr.

This account shall be credited with all charges made to production accounts for water consumed at pumping and purification plants and not otherwise provided for.

D C B A 799 PRODUCTION EXPENSES TRANSFERRED—Cr.

This account shall include such part of the utility's cost of producing water as is properly chargeable to another coordinate department, as, for example, an electric or a gas department.

## 800 TRANSMISSION AND DISTRIBUTION EXPENSES

D C 801 OPERATING LABOR AND EXPENSE.

B A 802 SUPERINTENDENCE.

This account shall include the cost of all operating labor employed in the superintendence of the transmission and distribution system. This will include the salaries and expenses of superintendents, assistants, general foremen, clerical help on maps, records and accounts, and such portion of the salaries of the engineering staff as may be assignable to transmission and distribution.

B A 803 RESERVOIR, TANK AND STANDPIPE LABOR.

This account shall include the cost of labor engaged in patrolling, inspecting, and operating the distribution storage facilities, including distribution reservoirs, tanks, and standpipes. Exclude maintenance labor.

This account shall also include the upkeep cost of maps and records of the transmission and the distribution system, including salaries and expenses of mappers, draftsmen, cost of drawing material, stationery and other miscellaneous items.

B A 804 INSPECTING AND TESTING METERS.

This account shall include the salaries and expenses of superintendents and clerks in the meter bureau and that portion of the salaries of the engineering staff assignable to this account; also the cost of light, heat, ice, water, and other supplies and expenses of the meter testing bureau; and the cost of testing meters on consumers' premises or in meter shop.

B A 805 REMOVING AND RESETTING METERS.

This account shall include the cost of labor and other expense incident to removing, and resetting meters and measuring devices on consumers' premises; also the cost of disconnecting and reconnecting services.

For the cost of the first setting of meters on new service lines, or lines not previously metered, see text of accounts No. 323-324.

B A 806 INSPECTING CUSTOMERS' INSTALLATIONS.

This account shall include labor and expense incurred in inspecting and testing plumbing and fixtures of consumers in connection with complaints; and all other services performed on the premises of consumers for which no charge is made by the utility.

B A 807 MISCELLANEOUS TRANSMISSION AND DISTRIBUTION LABOR.

This account shall include the cost of labor engaged in inspecting and patrolling transmission and distribution mains and ditches, service pipes and stops, fire hydrants, fountains and troughs; flushing mains and hydrants, and taking street pressure; and the cost of other operating labor similarly employed. Also include such other operating labor in the transmission and distribution system as is not provided for in any of the preceding accounts.

B A 808 MISCELLANEOUS DISTRIBUTION SUPPLIES AND EXPENSES.

This account shall include the cost of such tools as are not a proper charge to plant and equipment, used by street department employees; office supplies of such department, and other miscellaneous distribution operating supplies and expenses not elsewhere provided for.

D C 809 MAINTENANCE OF TRANSMISSION AND DISTRIBUTION SYSTEM.

B A 810 MAINTENANCE OF TRANSMISSION AND DISTRIBUTION BUILDINGS.

This account shall include the cost of maintaining transmission and distribution buildings and fixtures.

B A 811 MAINTENANCE OF TRANSMISSION MAINS.

This account shall include the cost of labor, material and supplies consumed, and other expenses incident to repairing transmission mains. This includes such items as seeking and repairing leaks, removing and replacing worn sections and fittings, calking, digging and repaving in connection with such work, repairing manholes, thawing pipes, and scraping to remove incrustations.

B A 812 MAINTENANCE OF STORAGE RESERVOIRS, TANKS AND STADPIPES.

This account shall include the cost of repairing and maintaining distribution storage reservoirs, tanks and standpipes, including repairs to masonry, painting, calking, replacing decayed parts, hoops, etc. Include also repairs to appurtenant equipment, such as inlet, outlet, flush, drain and overflow pipes; gate, check and other control valves, gauges, floats, high water alarms and other apparatus used in connection with distribution reservoirs, tanks and standpipes.

B A 813 MAINTENANCE OF DISTRIBUTION MAINS.

This account shall include the cost of labor, material and supplies, and other expense incident to repairing distribution mains. This includes such items as seeking and repairing leaks, removing and replacing worn sections and fittings, calking, digging and repaving in connection with such work, repairing manholes, thawing pipes, and scraping to remove incrustations.

B A 814 MAINTENANCE OF SERVICES.

This account shall include the cost of labor, material and supplies, and other expense incident to repairing water services. This includes such items as seeking and repairing leaks, removing and replacing worn out pipes and fittings, including stop cocks, and service boxes, digging and repaving in connection with such work, cleaning pipes, thawing pipes and other expense of similar nature.

B A 815 MAINTENANCE OF METERS.

This account shall include the cost of repairing meters including meter boxes and vaults used to measure water sold to consumers. This will include readjusting, painting, replacing worn gears, wearing parts, dials, meter fittings, unions, etc.

NOTE.—When meters are permanently withdrawn or retired from service, and replaced, the original cost of such meters withdrawn or retired, shall be credited to plant and equipment account No. 323, "Water Meters," and concurrently a charge shall be made to this account for a like amount, (less salvage value), or for the portion of such charge that has not been provided for in the reserve for accrued depreciation.

B A 816 MAINTENANCE OF HYDRANTS.

This account shall include the cost of labor and material, and other expense incurred in repairing hydrants. This includes renewal of worn out parts, painting, calking, digging and repaving in connection with such repairs.

B A 817 MAINTENANCE OF FOUNTAINS AND TROUGHS.

This account shall include the cost of labor and material and other expense incurred in making repairs to fountains and troughs. This includes renewal of worn out pipe, valves, painting, digging and repaving in connection with such repairs.

## 880 COMMERCIAL EXPENSES

D C 881 COMMERCIAL ADMINISTRATION

B A 882 COMMERCIAL GENERAL LABOR.

This account shall include the cost of labor of superintendents and assistants, chief clerks, cashiers and assistants, stenographers, general office clerks, high bill clerks, switchboard operators, messengers, janitors and watchmen employed in the Commercial department.

B 883 COMMERCIAL BOOKS AND CONTRACTS.

A 884 COMMERCIAL BOOKKEEPING.

This account shall include the cost of labor of bookkeepers and clerks employed on consumers' accounts.

A 885 COMMERCIAL CONTRACTS.

This account shall include the cost of labor of clerks and other employees in the application or contract department.

B 886 COMMERCIAL METER READING AND COLLECTING.

A 887 COMMERCIAL COLLECTING.

This account shall include the cost of labor incurred in delivering bills and in the collection of consumers' accounts (except such cost as is includible in account 882, "Commercial General Labor") and the cost of turning off water because of non-payment of bills and other incidental costs in connection with collections.

This account will also include commissions paid for collecting bills.

A 888 METER READING.

This account shall include the cost of labor employed in reading meters.

B A 889 COMMERCIAL SUPPLIES AND EXPENSES.

This account shall include the cost of supplies and the incidental expense of the commercial office. This covers meter readers' lamps, car fare and other incidental expenses of employees in the Commercial department.

D C B A 890 AGENTS' COMMISSIONS.

This account shall include the amount paid by the accounting company to agents as commission for distributing its water over the agent's distribution lines and selling the same, and for all services performed in connection therewith. (See Operating Revenue Account No. 611, "Commissions on Others' Water," also "Operating Revenue Accounts—General Instructions and Definitions," Section 2, Note B, page 54.)

## 900 NEW BUSINESS EXPENSES

D C 901 NEW BUSINESS EXPENSES.

B A 902 NEW BUSINESS SALARIES.

This account shall include the salaries (or the proper portion thereof) of employees engaged in the promotion and extension of the utility's water business. This will include office clerks, solicitors and salesmen, and commissions paid solicitors and salesmen for the introduction and sale of water appliances.

B A 905 NEW BUSINESS SUPPLIES AND EXPENSES.

This account shall include the cost of all supplies consumed and expenses incurred in connection with the new business department. This includes office supplies, traveling and personal expenses of salesmen and solicitors, advertising, demonstrations and the cost of piping, devices and appliances (including labor and expense of installation) furnished to the customer for which no charge is made, in order to secure new business. If a portion of the cost of such installation is chargeable to the consumer, the loss only will be charged to this account.

## 920 GENERAL AND MISCELLANEOUS EXPENSES

GENERAL NOTE.—When general office officials or employees designated in the general and miscellaneous expense accounts below do not devote their entire time to general administrative work, but are also engaged in supervision over or otherwise employed in the work of another operating department or on construction work, their pay and traveling and incidental expenses should be assigned or equitably apportioned to the appropriate departmental or fixed capital accounts.

D 921 UNDISTRIBUTED GENERAL EXPENSES.

C B 922 GENERAL OFFICE SALARIES.

A 923 ADMINISTRATIVE SALARIES.

This account shall include the salaries of the chairman of the board, president, vice-president, treasurer, secretary, comptroller, general auditor, general manager, assistant general manager, chief engineer, general superintendent, purchasing agent, and all other employees whose jurisdiction extends to the entire system and whose services can not be allocated to the several departments.

A 924 OTHER GENERAL OFFICE SALARIES.

This account shall include the salaries of auditors, bookkeepers, cashiers, paymaster, stenographers and clerks employed in counting cash, janitors,

porters, messengers, and other clerks and employees whose time is devoted to the work of the general office.

NOTE.—The cost of labor of clerks and other employees in the commercial department shall not be included in this account, but in account No. 881, "Commercial Administration," or the appropriate subdivision thereof.

C 925 MISCELLANEOUS GENERAL EXPENSES.

B A 926 GENERAL OFFICE SUPPLIES AND EXPENSES.

This account shall include the cost of office supplies, stationery, telegrams, telephone service, and the maintenance of office furniture; rented rooms in office buildings and maintenance of such rented rooms; rental of office equipment such as statistical machines, and all other miscellaneous expenses of general offices.

Expenses of departmental employees should be charged to the appropriate departmental accounts.

B A 927 GENERAL STATIONERY AND PRINTING.

This account shall include the cost of stationery, stationery supplies and postage not elsewhere provided for.

NOTE A.—The cost of printing briefs and other legal papers should be charged to account No. 931, "Law Expenses."

NOTE B.—The cost of printing signs, posters and other advertising matter shall be charged to account No. 905, "New Business Supplies and Expenses."

NOTE C.—The cost of such mechanical calculators, typewriters, duplicating machines, and other office appliances as are not properly capitalized, should, if for use in general office, be charged to account No. 926, "General Office Supplies and Expenses," or, if for the use of department offices, to the proper departmental accounts.

B A 928 MAINTENANCE OF GENERAL STRUCTURES.

This account shall include the cost of maintaining general office buildings or other structures used for general purposes. This covers maintenance of walks, driveways, and grounds connected therewith and all incidental expenses connected with the maintenance of such buildings or structures.

B A 931 LAW EXPENSES.

This account shall include all law expenses such as salaries and expenses of counsel, solicitors and attorneys, their clerks and attendants and expenses of their offices; cost of law books, printing briefs, legal forms, testimony, reports, etc.; fees and retainers for services of attorneys not regular employees; court costs and payments of special notarial and witness fees not provided for elsewhere, expenses connected with taking depositions, and all law and court expenses not provided for elsewhere.

B A 932 INSURANCE.

This account shall include premiums paid for fire, fidelity, boiler, casualty, burglar, lightning, and all other insurance; also charges by which self-insurance is provided.

This account shall be credited with dividends paid or surplus returned to the accounting company in any other form by mutual insurance companies.

NOTE.—That portion of the premium for liability insurance based on the payroll expended on construction accounts may be charged to the construction accounts affected.

B A 933 STORE EXPENSES.

This account shall include all salaries and expenses in connection with storerooms. This covers the cost of sending materials and supplies from general storerooms to branch storerooms and the collection of scrap material.

To this account shall be credited all discounts recovered through the prompt payment of bills for materials and supplies consumed in operation, unless such discounts are applied to the particular bills.

NOTE.—Expenses charged to this account may be distributed over materials passed through the store department on the basis of a percentage of invoice cost of such materials or on other bases deemed appropriate by the management of the accounting company. Amounts so distributed should be credited to this account and charged to the accounts to which the cost of such materials is charged as they are issued or used. Credits should be made in such detail as to permit the accounting company to analyze them.

### B A 934 TRANSPORTATION EXPENSES.

This account shall include the cost of feed, keep and shoeing of horses, wages of stablemen, hostlers, veterinary expenses, and all other expenses of stabling horses; also wages of garage men, cost of gasoline, lubricants, and other garage supplies, and the cost of repairing harness and vehicles.

NOTE A.—The cost of horses purchased to replace others should be charged to account No. 344, "General Equipment."

NOTE B.—Charges to this account may be distributed to the work done by the stable and garage equipment on the basis of hourly rates, rates per ton per mile hauled, or on other bases deemed appropriate by the management of the accounting company. Amounts so distributed should be credited to this account and charged to the account representing the construction or operation benefited. Credits should be made in such detail as to permit the accounting company to analyze them.

### B A 935 UNDISTRIBUTED ADJUSTMENTS.

At least once a year an inventory of materials and supplies shall be taken and the difference in respect of any particular class of materials and supplies between the ledger and inventory balances should be debited or credited to this account in case it cannot be assigned to a specific account.

This account shall also be charged or credited with miscellaneous minor operating items of such a nature that an exact distribution among the accounts to which they are applicable cannot be determined. This covers such transactions as receipts from sale of junk.

NOTE.—Where materials and supplies have been used in construction as well as in operation a suitable proportion of the shortages or overages disclosed by the inventory may be debited or credited to account No. 356, "Miscellaneous Construction Expenditures."

### B A 936 RENTALS.

This account shall include all rentals paid and expenses incurred for buildings or space used for the purposes of the business, unless the premises are used solely for construction purposes or in connection with a clearing or apportionment account, in which latter event the rentals should be charged accordingly.

NOTE.—If the accounting company so desires, these rentals may be charged to the departmental account interested, such as production, distribution, commercial, new business or miscellaneous general expense.

### B A 937. OTHER MISCELLANEOUS GENERAL EXPENSES.

This account shall include the cost of publishing and distributing annual reports to stockholders, advertising notices of stockholders' meetings, dividend notices and other corporate and financial notices of a general character, association dues, contributions for conventions and meetings of the industry, cost of experimental work conducted for the benefit of the industry or the improvement of service, traveling and incidental expenses of general officers and other general office employees, fees of transfer agents, registrars of stock, and fiscal agents, directors' fees, compensation to management corporations, and other miscellaneous expenses connected with the general management not otherwise provided for.

### D C B A 938. RETIREMENT EXPENSE.

This account shall include such amounts as the accounting company charges to operating expenses in addition to appropriations from surplus to retirement reserve, to provide a reserve against which may be charged

the original cost of all property retired from service, plus the cost of dismantling, less salvage. The amounts charged to this account or appropriated from surplus and credited to the "Retirement Reserve" shall be in addition to the necessary costs of keeping the plant and equipment in a high state of efficiency through charges to the regular Maintenance Accounts.

NOTE.—It is the intent of the classification that a reserve shall be provided, either through retirement expense or by appropriations from surplus, or both, sufficient to cover all retirement losses that may reasonably be expected.

D C B 939. INJURIES AND DAMAGES.

A 940. CLAIM DEPARTMENT EXPENSES.

This account shall include salaries and expenses of claim agents, investigators, adjusters, and others engaged in the investigation of accidents and adjustment of claims.

A 941. MEDICAL EXPENSES.

This account shall include salaries, fees, and expenses of surgeons and doctors, nursing, hospital attendants, medical and surgical supplies; fees and expenses of coroners and undertakers; and contributions to hospitals.

A 942. INJURIES TO EMPLOYEES.

This account shall include amounts paid in settlement of claims of employees for injuries arising in their employment; also wages paid to disabled employees while off duty.

A 943. OTHER PERSONAL INJURIES AND PROPERTY DAMAGE.

This account shall include amounts paid in settlement of claims of persons other than employees for personal injuries sustained in connection with the operation of the plant and amounts paid in settlement of claims for damage to property not owned by the accounting company.

A 944. MISCELLANEOUS ACCIDENT EXPENSES.

This account shall include all expenses in connection with accidents and damages not provided for in the foregoing accounts.

NOTE.—If it so desires, the accounting company may charge each month to "Injuries and Damages" (or to the appropriate sub-accounts) and credit to account No. 252, "Casualty and Insurance Reserve," a proportion of the total amount estimated to be necessary to expend during the year for injury and damage claims, and the actual disbursements above designated shall then be charged against said reserve account. The charges to this account shall be adjusted at the close of the fiscal year to actual expenses unless a balance remains representing liability for unsettled claims.

D C B A 945. REGULATORY COMMISSION EXPENSES.

This account shall include the expenses incurred by the accounting company in its transactions with governmental regulative commissions. This covers fees and retainers and expenses of counsel, solicitors, attorneys, clerks, attendants, witnesses, and others whose services are secured especially for the defense or prosecution of those petitions presented to a regulatory commission that affect the accounting company; the pay, traveling, and other expenses of those specially employed or assigned to ascertain the value of property owned or used by the accounting company; the cost of stationery and printing and engineering supplies consumed; and other necessary expenses of a similar character.

This account does not include expenses for improvement of service, for additional inspection, etc., which are made necessary by the rules, regula-

tions, or orders of a regulatory commission. Such expenses should be charged to the appropriate specific operating expense account.

NOTE.—Expenditures in connection with applications for authority to issue securities, if the petition is granted and securities issued, are chargeable to account 301, "Organization," when incident to initial issues of capital stock. Such expenditures, when incident to the issuance of long-term debt should be considered as debt discount and expense and accounted for accordingly.

Expenditures for additions or betterments which, under the instructions governing charges to fixed capital accounts are properly chargeable to these accounts, shall be so charged regardless of whether incurred as the result of an order of the Commission, unless the order requiring such expenditures shall have directed other accounting treatment.

D C B 946. RELIEF AND WELFARE WORK.

A 947. EMPLOYEES' WELFARE DEPARTMENT.

This account shall include all salaries and expenses incurred in conducting accident prevention, relief, and welfare departments; also contributions made to such departments.

A 948. PENSIONS.

This account shall include the amount of pensions and gratuities paid to retired or incapacitated employees or to heirs of deceased employees, together with all expenses incurred in connection therewith.

D C B A 949. FRANCHISE REQUIREMENTS.

This account shall include the value at the normal selling price of all water and materials and supplies furnished municipal corporations in compliance with franchise requirements and for which no payment is received by the accounting company; also all direct expenses incurred in compliance with such requirements for which no reimbursement is received by the accounting company.

Amounts charged to this account for which there is no direct money outlay shall be credited to account No. 953, "Duplicate Miscellaneous Charges—Cr."

D C B A 950. AMORTIZATION OF FRANCHISES.

This account shall include for each accounting period the amount charged to distribute the cost of limited franchises equitably over the life of the franchise. Amounts charged to the account shall be concurrently credited to fixed capital account No. 302, "Franchises."

D C B A 951. WATER EXPENSES TRANSFERRED—CR.

This account shall include such part of the operating costs (other than production expenses, for which see Production Account No. 799, "Production Expenses Transferred—Cr.") borne in the first instance by the accounting company's water department as are properly chargeable to another co-ordinate department, such as an electric utility or gas department.

This is not intended to prohibit the apportioning of primary accounts between departments, and so far as practicable departmental costs should be determined in that way. There may, however, be cases where it is desirable to assign to other operations a flat percentage of total water operating expenses or of some group of water operating expenses or some similar arbitrary amount, and in such cases the credit should be made to this account.

D C B A 952. JOINT OPERATING EXPENSES—CR.

When any plant or equipment is maintained or operated by the accounting company for the joint benefit of itself and others under an arrangement for apportioning the operating expenses, the portion of such expenses chargeable to others under the arrangement may be credited to this account

if it is based on a percentage of the total operating expenses or a percentage of the total of some group of primary operating expense accounts or determined in some similar fashion. So far as practicable, joint operating costs should be apportioned by primary accounts and that part of such cost borne in the first instance by the accounting company, but chargeable to the other party or parties to the joint agreement, should be credited direct to the primary accounts involved.

D C B A 953. DUPLICATE MISCELLANEOUS CHARGES—CR.

This account shall include the concurrent credts for all charges which may be made to any operating expense account, except as provided for in account No. 798, "Duplicate Production Charges—Cr.," in respect of the consumption of water produced or purchased primarily for resale by the accounting company; also all similar charges in respect of any services rendered for which there is no direct money outlay. This covers such items as water supplied to a municipality without charge in accordance with franchise requirements; water furnished to employees in lieu of wages; housing of employees as part compensation for their services, etc.

This account is optional to the extent that charges of the sort described, not involving any direct money outlay, are not required to be made. If the accounting company desires to make such charges, however, the concurrent credit must be to this account.

# APPENDIX

## LAW OF ILLINOIS RELATING TO REPORTS AND ACCOUNTS OF PUBLIC UTILITIES

## LAW OF ILLINOIS RELATING TO REPORTS AND ACCOUNTS OF PUBLIC UTILITIES

Article II of "An Act concerning Public Utilities." Approved June 29, 1921. In force July 1, 1921.

REPORTS AND ACCOUNTS.

§ 11. The Commission shall have power to establish a uniform system of accounts to be kept by public utilities or to classify public utilities and to establish a uniform system of accounts for each class and to prescribe the manner in which such accounts shall be kept. It may also, in its discretion, prescribe the forms of accounts to be kept by public utilities, including records of service, as well as accounts of earnings and expenses, and any other forms, records and memoranda which in the judgment of the Commission may be necessary to carry out any of the provisions of this Act. The system of accounts established by the Commission and the forms of accounts prescribed by it shall not be inconsistent, in the case of corporations subject to the provisions of the Act of Congress entitled, "An Act to regulate commerce," approved February fourth, Eighteen Hundred and Eighty-seven, and the Acts amendatory thereof and supplementary thereto, with the systems and forms from time to time established for such corporations by the Interstate Commerce Commission, but nothing herein contained shall affect the power of the Commission to prescribe forms of accounts for such corporations, with the approval of the Interstate Commerce Commission, covering information in addition to that required by the Interstate Commerce Commission. Where the Commission has prescribed the forms of accounts to be kept by any public utility for any of its business it shall thereafter be unlawful for such public utility to keep any accounts for such business other than those prescribed or approved by the Commission, or those prescribed by or under the authority of any other state or of the United States.

The Commission may, from time to time, alter, amend or repeal, in whole or in part, any uniform system of accounts, or the form and manner of keeping accounts.

§ 12. The Commission may require every public utility engaged directly or indirectly in any other than a public utility business, as defined by law to keep separately in like manner and form the accounts of all such other business, and the Commission may provide for the examination and inspection of the books, accounts, papers, and records of such other business, in so far as may be necessary to enforce any provision of this Act. The Commission shall have power to inquire as to and prescribe the apportionment of capitalization, earnings, debts and expenses fairly and justly to be awarded to or borne by the ownership, operation, management or control of such public utility as distinguished from such other businesses.

§ 13. Such systems of accounts shall provide for forms showing all sources of incomes, the amounts due and received from each source and the amounts expended and due for each purpose, distinguishing clearly all payments for operating expenses from those for new constructions, extensions and additions and for balance sheets showing assets and liabilities and various forms of proprietary interest.

§ 14. The Commission shall have power, after hearing, to require any or all public utilities to keep such accounts as will adequately reflect depreciation, obsolescence and the progress of the arts. The Commission may, from time to time, ascertain and determine and by order fix the proper and adequate rate of depreciation of the several classes of property for each public utility; and each public utility shall conform its depreciation accounts to the rates so ascertained, determined and fixed.

§ 15. The Commission may provide for the examination and audit of all accounts, and all items shall be allocated to the accounts in the manner prescribed by the Commission. The officers and employees of the Commission shall have authority under the direction of the Commission to inspect and examine any and all books, accounts, papers, records and memoranda kept by such public utilities.

§ 16. Each public utility shall have an office in one of the cities, villages or incorporated towns in this State in which its property or some part thereof is located, and shall keep in said office all such books, accounts, papers, records and memoranda as shall be ordered by the Commission to be kept within the State. The address of such office shall be filed with the Commission. No books, accounts, papers, records or memoranda ordered by the Commission to be kept within the State shall be at any time removed from the State, except upon such conditions as may be prescribed by the Commission.

§ 17. Any person who shall wilfully make any false entry in the accounts, or in any record of memoranda, or by any other means or device falsify the record of any such account, record or memoranda, or who shall willfully neglect or fail to make full, true, and correct entries in such accounts, records, or memoranda of all facts in transactions appertaining to the business of the public utility, or shall keep any accounts or record other than those prescribed or approved by the Commission, shall be guilty of a misdemeanor, and upon conviction, be subject to imprisonment in the county jail not exceeding one year, or to a fine not exceeding one thousand dollars, or to both.

If any such books, accounts, records or memoranda shall have been preserved for a period of at least three years, a public utility may with the consent of the Commission destroy such of them as in the judgment of the Commission may properly be destroyed.

§ 18. Any officer or employee of the Commission who divulges any fact or information coming to his knowledge during the course of an inspection, examination or investigation of any account, record, memoranda, book or paper of a public utility, except in so far as he may be authorized by the Commission or by a court of competent jurisdiction, or a judge thereof, shall be guilty of a misdemeanor, and upon conviction, be subject to imprisonment in the county jail not exceeding one year, or to a fine not exceeding one thousand dollars, or to both.

§ 19. Each public utility in the State shall each year furnish to the Commission, in such form as the Commission shall require, annual reports as to all the items mentioned in the preceding sections of this article, and in addition such other items, whether of a nature similar to those therein enumerated or otherwise, as the Commission may prescribe. Such annual reports shall contain all the required information for the period of twelve months ending on the thirtieth day of June in each year, or ending on the thirty-first day of December in each year, as the Commission may by order prescribe for each class of public utilities, and shall be filed with the Commission at its office in Springfield within three months after the close of the year for which the report is made. The Commission shall have authority to require any public utility to file monthly reports of earnings and expenses of such utility, and to file other periodical or special, or both perodical and special reports concerning any matter about which the Commission is authorized by law to keep itself informed. All reports shall be under oath.

When any report is erroneous or defective or appears to the Commission to be erroneous or defective, the Commission may notify the public utilty to amend such report within thirty days, and before or after the termination of such period the Commission may examine the officers, agents, or employees, and books, records, accounts, vouchers, plant, equipment and property of such public utility, and correct such items in the report as upon such examination the Commission may find defective or erroneous.

All reports made to the Commission by any public utility and the con-

tents thereof shall be open to public inspection, unless otherwise ordered by the Commission. Such reports shall be preserved in the office of the Commission.

Any public utility which fails to make and file any report called for by the Commission within the time specified; or to make specific answer to any question propounded by the Commission within thirty days from the time it is lawfully required to do so, or within such further time, not to exceed ninety days, as may in its discretion be allowed by the Commission, shall forfeit $100 for each and every day it may so be in default.

Any person who wilfully makes any false return or report to the Commission, or to any member, officer or employee thereof, and any person who aids or abets such person shall, upon conviction, be subject to imprisonment in the county jail not exceeding one year, or to a fine not exceeding one thousand dollars, or both.

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